

MATZIKAMA

MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2020

MATZIKAMA MUNICIPALITY

Index

<i>Contents</i>	<i>Page</i>
General Information	1 - 3
Approval of the Financial Statements	4
Report of the Auditor General	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes In Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Position	10
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Performance	11
Statement of Comparison of Budget and Actual Amounts - Cash Flow Statement	12
Accounting Policies	13 - 47
Notes to the Financial Statements	48 - 93
APPENDICES	
A Schedule of External Loans	94
B Segmental Statement of Financial Performance - GFS Classifications	95
C Segmental Statement of Financial Performance - Municipal Votes	96
D Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	97
E Appropriation Statements	98 - 103

MATZIKAMA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

GENERAL INFORMATION

NATURE OF BUSINESS

Matzikama Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Matzikama Municipality includes the following areas:

Vredendal
Vanrhynsdorp
Klawer
Koekenaap
Lutzville
Ebenhaezer
Strandfontein
Doringbaai
Bitterfontein
Nuwerus
Stofkraal
Molsvlei
Rietpoort
Kliprand

EXECUTIVE MAYOR

MM Bains

DEPUTY EXECUTIVE MAYOR

CA le Fleur

SPEAKER

PG Bok

MEMBERS OF THE EXECUTIVE COMMITTEE

Executive Mayor	MM Bains
Deputy Executive Mayor	CA le Fleur
Speaker	PG Bok
Executive Councillor	RXR Kock
Executive Councillor	AW Links
Executive Councillor	NM Ngobo

MATZIKAMA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

GENERAL INFORMATION

MUNICIPAL MANAGER

Al Hendricks

CHIEF FINANCIAL OFFICER

ER Alfred

REGISTERED OFFICE

37 Church Street
VREDENDAL
8160

AUDITORS

Office of the Auditor-General (Western Cape)

PRINCIPLE BANKERS

ABSA Bank

ATTORNEYS

Koos Coetzee Prokureurs
Downing & Engelbrecht
Swanepoel & Swanepoel
Turner Ntshingana Kirsten Ravens Khan
Dirk Verdoes Attorneys
Khomotso Martin Ramodike

RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)
Collective Agreements
Division of Revenue Act
Electricity Act (Act no 41 of 1987)
Employment Equity Act (Act no 55 of 1998)
Housing Act (Act no 107 of 1997)
Infrastructure Grants
Municipal Budget and Reporting Regulations
Municipal Finance Management Act (Act no 56 of 2003)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Municipal Regulations on Standard Chart of Accounts
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
SALBC Leave Regulations
Skills Development Levies Act (Act no 9 of 1999)
Supply Chain Management Regulations, 2005
The Income Tax Act
Unemployment Insurance Act (Act no 30 of 1966)
Value Added Tax Act
Water Services Act (Act no 108 of 1997)

MATZIKAMA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

GENERAL INFORMATION

MEMBERS OF THE MATZIKAMA MUNICIPALITY

WARD	COUNCILLOR
1	M Carosini
2	AFK Job
3	AW Links
4	WD Loff
5	NS Louw
6	M Bains
7	A Sindyamba
8	MV Cloete (resigned 03/12/2019)
8	RXR Kock (appointed 26/02/2020)
Proportional	J Van Der Hooven (resigned (16/02/2020)
Proportional	WH Nell
Proportional	PG Bok
Proportional	NM Ngobo
Proportional	J De Jongh
Proportional	XP Tshetu
Proportional	DD Jenner (resigned 04/08/2020)
Proportional	CA le Fleur (appointed 13/11/2019)
Proportional	J Hein (appointed 17/02/2020)
Proportional	EJ Jenner (appointed 05/08/2020)

MATZIKAMA MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2020, which are set out on pages 6 to 97 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board. As per Government Gazette no. 43582 dated 5 August 2020, National Treasury has granted municipalities a two-month extension regarding the submission of annual financial statements. The municipality has taken advantage of this exemption.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2021 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.


Al Hendricks
Municipal Manager

30 October 2020
Date

MATZIKAMA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Notes	2020 R	2019 R
ASSETS			
Non-Current Assets		796 238 904	767 114 671
Property, Plant and Equipment	2	736 994 737	679 062 981
Investment Property	3	58 480 016	87 225 305
Intangible Assets	4	372 552	491 717
Long-term Receivables	5	390 681	256 132
Operating Lease Asset	6	917	78 536
Current Assets		54 474 488	67 265 500
Inventory	7	618 835	466 772
Receivables from Exchange Transactions	8	17 836 867	20 300 485
Receivables from Non-exchange Transactions	9	8 768 767	8 580 225
Unpaid Transfers and Subsidies	16	4 949 788	30 915
Operating Lease Asset	6	-	7 643
Taxes	17.3	7 617 177	5 686 509
Current Portion of long-term Receivables	5	390 681	768 397
Cash and Cash Equivalents	10	14 292 373	31 424 554
Total Assets		850 713 392	834 380 171
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		96 457 641	101 114 903
Long-term Borrowings	11	17 784 160	22 930 465
Non-current Provisions	12	44 239 481	43 767 062
Non-current Employee Benefits	13	34 434 000	34 417 377
Current Liabilities		120 574 296	87 317 188
Current Employee Benefits	14	16 849 870	13 992 596
Trade and Other Payables from Exchange Transactions	15	64 334 728	43 568 191
Unspent Transfers and Subsidies	16	32 531 955	22 745 722
Current Portion of Long-term Borrowings	11	6 857 743	7 010 678
Total Liabilities		217 031 937	188 432 091
Net Assets		633 681 454	645 948 080
Capital Replacement Reserve	18	-	3 405 000
Accumulated Surplus		633 681 454	642 543 080
Total Net Assets and Liabilities		850 713 392	834 380 171

MATZIKAMA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 R	2019 R
REVENUE			
Revenue from Non-exchange Transactions		220 122 572	195 759 014
Taxation Revenue		50 221 273	43 225 413
Property Rates	19	50 221 273	43 225 413
Transfer Revenue		157 940 994	135 485 758
Government Grants and Subsidies	20	133 678 946	101 852 734
Public Contributions and Donations	21	4 641 134	1 665 281
Contributed Property, Plant and Equipment	22	19 620 914	31 967 743
Other Revenue		11 960 305	17 047 843
Actuarial Gains	13	2 737 739	601 061
Fines, Penalties and Forfeits	23	8 302 887	16 446 782
Operational Revenue	30	919 679	197 994
Revenue from Exchange Transactions		186 253 520	178 262 937
Licences and Permits	24	926 031	1 010 375
Service Charges	25	171 799 797	158 550 899
Sales of Goods and Rendering of Services	26	3 091 245	4 263 475
Rental from Fixed Assets	27	1 597 744	2 290 411
Interest Earned - External Investments	28	1 369 806	3 311 815
Interest Earned - Exchange Transactions	29	3 875 351	4 900 345
Agency Services		2 984 557	3 368 514
Operational Revenue	30	608 991	567 102
Total Revenue		406 376 092	374 021 951
EXPENDITURE			
Employee related costs	31	(159 121 495)	(138 607 600)
Remuneration of Councillors	32	(7 163 240)	(6 935 002)
Bad Debts Written Off		(3 927 730)	(4 500 126)
Contracted Services	33	(13 949 805)	(9 642 766)
Depreciation and Amortisation	34	(20 335 872)	(18 605 918)
Finance Costs	35	(10 272 621)	(9 125 645)
Bulk Purchases	36	(109 500 424)	(94 144 671)
Inventory Consumed	7.1	(8 138 459)	(10 357 070)
Transfers and Subsidies	37	(1 511 877)	(1 249 219)
Operational Costs	38	(28 013 895)	(27 165 858)
Total Expenditure		(361 935 419)	(320 333 876)
Operating Surplus/(Deficit) for the Year		44 440 674	53 886 069
Reversal of Impairment Loss/(Impairment Loss) on Receivables	39	(27 799 193)	(15 596 138)
Gains/(Loss) on Sale of Fixed Assets	40	(278 619)	(1 920 781)
Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets	41	55 571	(118 756)
Profit/(Loss) on Fair Value Adjustments	42	(28 745 289)	21 170 200
Gains/(Loss) on Foreign Exchange Transactions		60 231	(21 203)
NET SURPLUS/(DEFICIT) FOR THE YEAR		(12 266 625)	57 399 391

MATZIKAMA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Capital Replacement Reserve R	Accumulated Surplus R	Total R
Balance at 1 July 2018	4 545 000	521 562 209	526 107 209
Correction of Error - note 44.9	-	62 441 479	62 441 479
Restated balance	4 545 000	584 003 687	588 548 687
Net Surplus/(Deficit) for the year	-	57 399 391	57 399 391
Net Surplus/(Deficit) previously reported	-	68 791 178	68 791 178
Effects of Correction of Errors - note 44.10	-	(11 391 786)	(11 391 786)
Transfer to/from CRR	3 405 000	(3 405 000)	0
Property, Plant and Equipment purchased	(4 545 000)	4 545 000	0
Balance at 30 June 2019	3 405 000	642 543 080	645 948 080
Net Surplus/(Deficit) for the year	-	(12 266 625)	(12 266 625)
Transfer to/from CRR	(3 405 000)	3 405 000	-
Balance at 30 June 2020	-	633 681 454	633 681 454

MATZIKAMA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 R	2019 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Taxation		45 321 390	43 452 431
Service Charges		157 178 346	147 688 918
Other Revenue		14 683 460	19 744 069
Government - Operating		69 993 057	63 751 855
Government - Capital		71 275 553	34 781 000
Interest		1 369 806	3 311 815
Cash payments			
Suppliers and Employees		(303 249 849)	(281 626 356)
Finance Charges		(3 337 093)	(2 540 300)
Transfers and Grants		(1 511 877)	(1 249 219)
Net Cash from Operating Activities	45	51 722 793	27 314 214
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(63 555 734)	(48 043 063)
Proceeds on Disposal of Fixed Assets		-	-
Net Cash from Investing Activities		(63 555 734)	(48 043 063)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing - Long term/Refinancing		-	10 701 172
Repayment of Borrowing		(5 299 240)	(5 000 386)
Net Cash from Financing Activities		(5 299 240)	5 700 786
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(17 132 181)	(15 028 063)
Cash and Cash Equivalents at the beginning of the year		31 424 554	46 452 617
Cash and Cash Equivalents at the end of the year	46	14 292 373	31 424 554
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(17 132 181)	(15 028 063)

MATZIKAMA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Amount	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2020 R	%
ASSETS									
Current Assets									
		32 225 961	(31 420 119)	805 842	-	-	805 842	14 292 373	1673.59%
		-	-	-	-	-	-	-	0.00%
		44 019 999	(2 392 317)	41 627 682	-	-	41 627 682	17 836 867	-57.15%
		10 794 302	7 091 519	17 885 821	-	-	17 885 821	21 335 732	19.29%
		280 684	687 714	968 398	-	-	968 398	390 681	-59.66%
		685 480	(195 369)	490 111	-	-	490 111	618 835	26.26%
Total Current Assets	49.2.1	88 006 426	(26 228 572)	61 777 854	-	-	61 777 854	54 474 488	-11.82%
Non-Current Assets									
		134 409	433 989	568 398	-	-	568 398	390 681	-31.27%
		64 659 703	8 344 900	73 004 603	-	-	73 004 603	58 480 016	-19.90%
		-	-	-	-	-	-	-	0.00%
		703 801 002	43 500 236	747 301 238	-	-	747 301 238	736 994 737	-1.38%
		360 237	6 674	366 911	-	-	366 911	372 552	1.54%
		-	-	-	-	-	-	917	0.00%
Total Non-Current Assets	49.2.2	768 955 351	52 285 799	821 241 150	-	-	821 241 150	796 238 904	-3.04%
TOTAL ASSETS		856 961 777	26 057 227	883 019 004	-	-	883 019 004	850 713 392	-3.66%
LIABILITIES									
Current Liabilities									
		3 668 221	11 744	3 679 965	-	-	3 679 965	6 857 743	86.35%
		4 627 820	(4 600 000)	27 820	-	-	27 820	-	-100.00%
		47 204 941	(8 064 067)	39 140 874	-	-	39 140 874	96 866 683	147.48%
		12 582 777	2 174 594	14 757 371	-	-	14 757 371	16 849 870	14.18%
Total Current Liabilities	49.2.3	68 083 759	(10 477 729)	57 606 030	-	-	57 606 030	120 574 296	109.31%
Non-Current Liabilities									
		17 717 882	17 870	17 735 752	-	-	17 735 752	17 784 160	0.27%
		107 910 569	(1 428 968)	106 481 601	-	-	106 481 601	78 673 482	-26.12%
Total Non-Current Liabilities	49.2.4	125 628 451	(1 411 098)	124 217 353	-	-	124 217 353	96 457 641	-22.35%
TOTAL LIABILITIES		193 712 210	(11 888 827)	181 823 383	-	-	181 823 383	217 031 937	19.36%
NET ASSETS									
		659 844 567	37 946 054	697 790 621	-	-	697 790 621	633 681 454	-9.19%
		3 405 000	-	3 405 000	-	-	3 405 000	-	-100.00%
TOTAL NET ASSETS	49.2.5	663 249 567	37 946 054	701 195 621	-	-	701 195 621	633 681 454	-9.63%

MATZIKAMA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Amount	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2020 R	%
REVENUE									
Property Rates		52 084 830	-	52 084 830	-	-	52 084 830	50 221 273	-3.58%
Service Charges - Electricity Revenue		152 259 023	(6 112 535)	146 146 488	-	-	146 146 488	118 273 528	-19.07%
Service Charges - Water Revenue		23 455 641	(1 600 000)	21 855 641	-	-	21 855 641	19 727 094	-9.74%
Service Charges - Sanitation Revenue		16 747 022	-	16 747 022	-	-	16 747 022	16 410 391	-2.01%
Service Charges - Refuse Revenue		17 103 370	472 000	17 575 370	-	-	17 575 370	17 388 783	-1.06%
Service Charges - Other Revenue		-	-	-	-	-	-	-	0.00%
Rental of Facilities and Equipment		2 248 678	(144 501)	2 104 177	-	-	2 104 177	1 597 744	-24.07%
Interest Earned - External Investments		3 715 822	(1 705 890)	2 009 932	-	-	2 009 932	1 369 806	-31.85%
Interest Earned - Outstanding Debtors		4 643 844	350 000	4 993 844	-	-	4 993 844	3 875 351	-22.40%
Dividends Received		-	-	-	-	-	-	-	0.00%
Fines		16 615 523	-	16 615 523	-	-	16 615 523	8 302 887	-50.03%
Licences and Permits		1 185 078	(185 000)	1 000 078	-	-	1 000 078	926 031	-7.40%
Agency Services		3 717 514	300 000	4 017 514	-	-	4 017 514	2 984 557	-25.71%
Transfers Recognised - Operational		71 586 827	3 150 238	74 737 065	-	-	74 737 065	71 121 222	-4.84%
Other Revenue		12 154 356	3 617 500	15 771 856	-	-	15 771 856	7 417 886	-52.97%
Gains on Disposal of PPE		20 999 756	(10 413 000)	10 586 756	-	-	10 586 756	-	-100.00%
Total Revenue (excluding capital transfers and contributions)	49.2.6	398 517 284	(12 271 188)	386 246 096	-	-	386 246 096	319 616 552	-17.25%
EXPENDITURE									
Employee Related Costs		158 445 935	2 083 090	160 529 025	-	-	160 529 025	159 121 495	-0.88%
Remuneration of Councillors		7 551 533	(210 823)	7 340 710	-	-	7 340 710	7 163 240	-2.42%
Debt Impairment		19 725 600	-	19 725 600	-	-	19 725 600	31 726 924	60.84%
Depreciation and Asset Impairment		19 078 833	(1 800 000)	17 278 833	-	-	17 278 833	20 335 872	17.69%
Finance Charges		9 372 874	(593 517)	8 779 357	-	-	8 779 357	10 272 621	17.01%
Bulk Purchases		109 049 172	(1 000 000)	108 049 172	-	-	108 049 172	109 500 424	1.34%
Other Materials		17 648 427	87 569	17 735 996	-	-	17 735 996	8 138 459	-54.11%
Contracted Services		17 695 306	3 692 925	21 388 231	-	-	21 388 231	13 949 805	-34.78%
Transfers and Grants		2 632 892	(390 000)	2 242 892	-	-	2 242 892	1 511 877	-32.59%
Other Expenditure		37 164 562	(4 626 776)	32 537 786	-	-	32 537 786	56 703 613	74.27%
Loss on Disposal of PPE		-	-	-	-	-	-	278 619	0.00%
Total Expenditure	49.2.7	398 365 134	(2 757 533)	395 607 601	-	-	395 607 601	418 702 948	5.84%
Surplus/(Deficit)		152 150	(9 513 655)	(9 361 505)	-	-	(9 361 505)	(99 086 397)	958.45%
Transfers Recognised - Capital		75 875 407	35 798 614	111 674 021	-	-	111 674 021	63 826 554	-42.85%
Contributions Recognised - Capital		4 800 000	(815 281)	3 984 719	-	-	3 984 719	3 372 304	-15.37%
Contributed Assets		-	-	-	-	-	-	19 620 914	0.00%
Surplus/(Deficit) after Capital Transfers & Contributions		80 827 557	25 469 678	106 297 235	-	-	106 297 235	(12 266 625)	-111.54%
Taxation		-	-	-	-	-	-	-	0.00%
Surplus/(Deficit) after Taxation		80 827 557	25 469 678	106 297 235	-	-	106 297 235	(12 266 625)	-111.54%
Attributable to Minorities		-	-	-	-	-	-	-	0.00%
Surplus/(Deficit) Attributable to Municipality		80 827 557	25 469 678	106 297 235	-	-	106 297 235	(12 266 625)	-111.54%
Share of Surplus/(Deficit) of Associate		-	-	-	-	-	-	-	0.00%
Surplus/(Deficit) for the year		80 827 557	25 469 678	106 297 235	-	-	106 297 235	(12 266 625)	-111.54%

MATZIKAMA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Amount 2020	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	R	%
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Taxation		48 100 341	3 099 047	51 199 388	-	-	51 199 388	45 321 390	-11.48%
Service Charges		193 533 329	5 351 675	198 885 004	-	-	198 885 004	157 178 346	-20.97%
Other Revenue		18 391 911	(1 028 330)	17 363 581	-	-	17 363 581	14 683 460	-15.44%
Government - Operating		71 586 827	1 196 721	72 783 548	-	-	72 783 548	69 993 057	-3.83%
Government - Capital		80 675 407	12 051 203	92 726 610	-	-	92 726 610	71 275 553	-23.13%
Interest		8 004 412	(1 085 531)	6 918 881	-	-	6 918 881	1 369 806	-80.20%
Dividends		-	-	-	-	-	-	-	0.00%
Payments									
Suppliers and Employees		(331 874 610)	(15 706 309)	(347 580 919)	-	-	(347 580 919)	(303 249 849)	-12.75%
Finance costs		(3 299 144)	666 187	(2 632 957)	-	-	(2 632 957)	(3 337 093)	26.74%
Transfers and Grants		(2 632 892)	390 000	(2 242 892)	-	-	(2 242 892)	(1 511 877)	-32.59%
Net Cash from/(used) Operating Activities	49.2.8	82 485 581	4 934 663	87 420 244	-	-	87 420 244	51 722 793	-40.83%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE		24 000 000	(13 000 000)	11 000 000	-	-	11 000 000	-	-100.00%
Decrease/(Increase) in Non-Current Debtors		-	-	-	-	-	-	-	0.00%
Payments									
Capital Assets		(91 605 407)	(29 585 847)	(121 191 254)	-	-	(121 191 254)	(63 555 734)	-47.56%
Net Cash from/(used) Investing Activities	49.2.9	(67 605 407)	(42 585 847)	(110 191 254)	-	-	(110 191 254)	(63 555 734)	-42.32%
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
Borrowing long term/refinancing		-	-	-	-	-	-	-	0.00%
Increase/(Decrease) in Consumer Deposits		45 820	-	45 820	-	-	45 820	-	-100.00%
Payments									
Repayment of Borrowing		(7 293 334)	(658 241)	(7 951 575)	-	-	(7 951 575)	(5 299 240)	-33.36%
Net Cash from/(used) Financing Activities		(7 247 514)	(658 241)	(7 905 755)	-	-	(7 905 755)	(5 299 240)	-32.97%
NET INCREASE/(DECREASE) IN CASH HELD									
Cash and Cash Equivalents at the year begin:		7 632 660	(38 309 425)	(30 676 765)	-	-	(30 676 765)	(17 132 181)	-44.15%
		24 593 302	6 889 305	31 482 607	-	-	31 482 607	31 424 554	-0.18%
Cash and Cash Equivalents at the year end:		32 225 962	(31 420 120)	805 842	-	-	805 842	14 292 373	1673.59%

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2019) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. Management considers key financial metrics and approved medium-term budgets to conclude that the going concern assumption used in the compiling of the Annual Financial Statements is appropriate. The recent COVID-19 pandemic and its effect on the Municipality's current and expected performance has been considered by management in the Going concern assumption.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

the restatements of comparative information. The nature and reason for the reclassification are disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practical, and the prior year comparative figures are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practical, and the prior year comparative figures are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by the National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA Version 6.3, on which the municipality was required to transact for periods after 1 July 2019. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2019 audited amounts are set out in note 43 of the annual financial statements.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the annual financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made based on the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

Management has determined materiality for the purposes of explaining variances between the final budget and actual amounts in the annual financial statements, as R3 000 000 and a variance of more than 10%.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is, therefore, on a comparable basis to the actual amounts.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the notes to the annual financial statements. Variances in excess of R 3 000 000 and more than 10% are seen as material and explanations are provided.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2019/20 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2020.

The following GRAP standards and Interpretations of the Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 34 (Revised – April 2020)	<u>Separate Financial Statements</u> The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements. No significant impact expected as no such transactions or events are expected in the foreseeable future.	1 April 2020
GRAP 35 (Revised – April 2020)	<u>Consolidated Financial Statements</u> The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. No significant impact expected as no such transactions or events are expected in the foreseeable future.	1 April 2020
GRAP 36 (Revised – April 2020)	<u>Investments in Associates and Joint Ventures</u> The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the	1 April 2020

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

REFERENCE	TOPIC	EFFECTIVE DATE
	<p>application of the equity method when accounting for investments in associates and joint ventures.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	
GRAP 37 (Revised – April 2020)	<p><u>Joint Arrangements</u></p> <p>The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements)</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
GRAP 38 (Revised - April 2020)	<p><u>Disclosure of Interest in Other Entities</u></p> <p>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</p> <p>a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and</p> <p>b) the effects of those interests on its financial position, financial performance and cash flows.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
GRAP 104 (Revised – April 2020)	<p><u>Financial Instruments</u></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>The Municipality might need to revise the categories of financial instruments and the impairment model.</p>	Unknown
GRAP 110 (Revised – April 2020)	<p><u>Living and non-living resources</u></p> <p>The objective of this Standard is prescribing the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

REFERENCE	TOPIC	EFFECTIVE DATE
iGRAP 20	<p>Accounting for Adjustments on Revenue</p> <p>The Interpretation clarifies the accounting for adjustments to:</p> <p>a) exchange and non-exchange revenue charged in terms of legislation or similar means; and</p> <p>b) interest and penalties that arise from revenue already recognised</p> <p>as a result of the completion of a review, appeal, or objection process.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.</p>	1 April 2020

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1. *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced, and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.10. LEASES

1.10.1. *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis

unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2. Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased assets are diminished.

1.11. BORROWING COST

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and conditional contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash is invested as an individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the liability. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based

on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.14. UNSPENT PUBLIC CONTRIBUTIONS

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.15. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at the reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation (net of recoveries) under an onerous contract shall be recognised and measured as a provision.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.16. EMPLOYEE BENEFITS

(a) Pension and Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(b) Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as a contribution, and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements.. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically, and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by actuaries and are recognised in the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(e) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(f) Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1. *Initial Recognition*

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on the acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred is recognised as part of the cost of the asset.

1.17.2. *Subsequent Measurement – Cost Model*

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.17.3. Depreciation and Impairment

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following average estimated useful lives:

<u>Land and Buildings</u>	<u>Years</u>
Land	Indefinite
Operational Buildings	10-100
<u>Infrastructure</u>	
Storm water, Roads and Paving	2-100
Electricity	2-60
Water	2-100
Sewerage	1-100
Solid Waste	1-40
<u>Community</u>	
Parks and Gardens	10-100
Libraries	10-100
Recreational Facilities	10-100
Ranks and Parking	10-100
Cemeteries	10-100
Buildings	10-100
<u>Finance lease assets</u>	
Office Equipment	2-5
Other Assets	2-5
<u>Other</u>	
Transport Assets	1-15
Furniture and Office Equipment	1-35
Plant and Equipment	1-30
Computer equipment	1-10

1.17.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.17.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets, the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.18. INTANGIBLE ASSETS

1.18.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.18.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	2-15
Rights (Servitudes)	Indefinite

1.18.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19. INVESTMENT PROPERTY

1.19.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as an investment property.

At initial recognition, the Municipality measures investment property at cost, including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred is recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If the owner-occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.19.2. Subsequent Measurement – Fair Value Model

Subsequent to initial recognition, items of investment property are measured at fair value. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.19.3. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19.4. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash generating assets, are as follows:

- (i) None of the assets are managed with the objective of generating positive cash flows are expected to be significantly higher than the cost of the asset; and
- (ii) although certain services assets generate positive cash flows, these are used for cross subsidisation of services assets that generate negative cash flows.

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash generating. The designation is made on the basis of a municipality's objective of using the asset. The municipality designates an asset or a cash-generating unit as cash-generating when its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services. An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return.

1.20.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Market prices and Market transactions less cost of disposal are used in determining fair value less costs to sell. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in the Statement of Financial Performance.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.21. INVENTORIES

1.21.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilolitre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2. Subsequent Measurement

Inventories, consisting of consumable stores, materials and supplies and water at purification cost are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include non-statutory receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.22.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.22.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1. Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2. Payables and Annuity Loans

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.3. De-recognition

1.22.3.1. Financial Assets

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality derecognise the asset; and recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair value at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.22.3.2. *Financial Liabilities*

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.22.4. *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

1.23. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Receivables that arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments. Statutory receivables can arise from both exchange and non-exchange transactions.

1.23.1. *Initial Recognition*

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.23.2. *Measurement*

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.23.3. Impairment

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.23.4. De-recognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - i. derecognise the receivable; and
 - ii. recognise separately any rights and obligations created or retained in the transfer.

1.23.5. Transitional Provisions

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables.

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.24. REVENUE

1.24.1. *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset, and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties, i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with the prescribed debt principle as enforced by the law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised, it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed, and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality, therefore, recognises an expense and related revenue for the consumption of services in-kind.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.24.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue, this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services and revenue is recognised when the service is provided.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents, and the amount of revenue is the amount of cash or cash equivalents received or receivable.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold, or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. ACCOUNTING BY PRINCIPALS AND AGENTS

A principal-agent arrangement exists where there is a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

The municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

Identification

When the Municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

1.26. SERVICE CONCESSION ARRANGEMENTS: (Municipality as grantor)

Identification

Service concession arrangements of the municipality include the provision of mandated functions on behalf of the municipality by the operator for a specified period of time, for which the operator is compensated for its services over the period of the service concession arrangement.

Initial Recognition

Service concession assets are measured initially at fair value except where the assets are existing assets of the municipality in which case the assets are reclassified at their carrying amounts. Service concession assets will be identified separately.

The service concession liability is recognised and initially measured at:

- The same amount as the service concession asset,
- Adjusted by the amount of any other consideration (e.g., cash) from the municipality to the operator, or from the operator to the municipality.

Subsequent Measurement

The municipality initially measures the service concession asset at fair value if it is not an existing asset of the municipality.

After initial recognition, the municipality applies the measurement (including impairment) and derecognition principles to the service concession asset applicable to similar items of Property, Plant and Equipment, Intangible Assets or Heritage Assets.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the municipality accounts for the liability as a financial liability.

The municipality allocates the payments to the operator and accounts for them according to their substance as a reduction in the service concession liability, a finance charge, and charges for services provided by the operator.

Other Liabilities, Contingent Liabilities, Contingent Assets and Revenue

The municipality accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial Instruments.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The municipality accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the principles of Revenue from Exchange Transactions.

Dividing the arrangement

When the municipality pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

Were the municipality controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the municipality recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement. The value of the receivable at the end of the service concession arrangement reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

1.27. TRANSFER OF FUNCTIONS (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired, and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

1.28. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party or vice versa,
- or an entity that is subject to common control or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
- has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.29. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.30. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in

the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of

Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

Contingent Asset is a possible asset that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality.

1.33. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the carrying amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations and long service are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 13 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Impairment of Statutory Receivables

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical, useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings, management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method, which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of the time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at the reporting date. This provision will be realised as employees take leave or when employment is terminated.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end, which is still unused. The average pre-paid electricity sold per day during the year under review is used, and the estimate is calculated using 5 days' worth of unused electricity.

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.34. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value-added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.35. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represent the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.36. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. PROPERTY, PLANT AND EQUIPMENT

2.1 30 JUNE 2020

	Cost						Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Correction of Error	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Correction of Error	Depreciation	Disposals	Impairment	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	
Infrastructure													
Roads and Storm Water	190 294 923	-	24 839 008	288 025	(150 234)	215 271 722	30 005 175	-	4 793 505	(130 001)	-	34 668 678	180 603 044
Electricity	53 361 644	-	3 334 730	2 188 089	(13 077)	58 871 387	20 799 203	-	1 447 301	(4 073)	-	22 242 431	36 628 956
Water Supply	118 663 530	-	18 091 088	12 126 913	(755 997)	148 125 534	23 174 683	-	1 961 450	(545 432)	-	24 590 701	123 534 833
Sanitation	193 137 051	-	6 214 564	13 686 690	-	213 038 304	29 146 273	-	3 643 878	-	-	32 790 151	180 248 153
Solid Waste	41 075 504	-	(3 241 237)	-	-	37 834 267	3 950 991	-	3 557 608	-	-	7 508 599	30 325 667
Solid Waste Infrastructure	771 078	-	-	-	-	771 078	205 153	-	49 536	-	-	254 689	516 389
Landfill Sites *	40 304 426	-	(3 241 237)	-	-	37 063 189	3 745 838	-	3 508 072	-	-	7 253 910	29 809 278
	596 532 651	-	49 238 153	28 289 717	(919 307)	673 141 214	107 076 325	-	15 403 742	(679 506)	-	121 800 560	551 340 654
Community Assets													
Parks and Gardens	20 544 639	-	137 024	-	-	20 681 663	142 121	-	46 798	-	-	188 920	20 492 743
Libraries	1 465 273	-	-	-	-	1 465 273	88 893	-	26 631	-	-	115 524	1 349 749
Recreational Facilities	47 105 073	-	352 378	62 045	-	47 519 496	1 791 219	-	226 186	-	-	2 017 405	45 502 090
Ranks and Parkings	5 293 579	-	-	-	-	5 293 579	133 359	-	11 114	-	-	144 473	5 149 107
Cemeteries	914 737	-	-	-	-	914 737	29 487	-	2 457	-	-	31 944	882 793
Clinics/Care Centres	72 784	-	-	-	-	72 784	26 860	-	728	-	-	27 588	45 196
Buildings	39 235 313	-	-	13 750	-	39 249 063	4 081 546	-	328 900	-	-	4 410 446	34 838 617
	114 631 397	-	489 402	75 795	-	115 196 594	6 293 485	-	642 815	-	-	6 936 300	108 260 294
Land and Buildings													
Other Land	22 016 108	-	-	-	-	22 016 108	-	-	-	-	-	-	22 016 108
Operational Buildings	38 030 983	-	17 855	592 557	-	38 641 395	4 286 175	-	385 927	-	-	4 672 102	33 969 293
	60 047 091	-	17 855	592 557	-	60 657 503	4 286 175	-	385 927	-	-	4 672 102	55 985 401
Other Assets													
Computer Equipment	3 066 009	-	495 118	-	(752 034)	2 809 093	1 426 653	-	367 680	(618 887)	(7 306)	1 168 141	1 640 953
Furniture and Office Equipment	5 094 534	-	469 407	-	(675 584)	4 888 357	2 632 233	-	471 659	(567 510)	(17 074)	2 519 307	2 369 049
Machinery and Equipment	3 343 831	-	267 408	-	(1 154 414)	2 456 825	1 867 468	-	460 117	(1 012 722)	(16 365)	1 298 498	1 158 327
Transport Assets	31 596 524	-	-	-	(4 747 159)	26 849 365	12 213 813	-	2 226 686	(3 527 193)	(14 825)	10 898 481	15 950 884
	43 100 898	-	1 231 933	-	(7 329 191)	37 003 639	18 140 167	-	3 526 142	(5 726 310)	(55 571)	15 884 427	21 119 212
Leases													
Furniture and Office Equipment	1 140 526	-	-	-	-	1 140 526	593 430	-	257 920	-	-	851 350	289 176
	1 140 526	-	-	-	-	1 140 526	593 430	-	257 920	-	-	851 350	289 176
Total	815 452 564	-	50 977 342	28 958 069	(8 248 499)	887 139 476	136 389 582	-	20 216 545	(6 405 817)	(55 571)	150 144 739	736 994 737

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2.2 30 JUNE 2019

	Cost						Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Correction of Error	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Correction of Error	Depreciation	Disposals	Impairment	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Infrastructure													
Roads and Storm Water	153 056 395	6 821 936	30 533 462	1 149 666	(1 266 536)	190 294 923	27 014 079	-	3 936 960	(945 864)	-	30 005 175	160 289 748
Electricity	50 445 237	13 076	143 938	2 826 087	(66 694)	53 361 644	19 474 392	-	1 376 640	(51 829)	-	20 799 203	32 562 441
Water Supply	101 977 958	(177 854)	6 641 432	10 248 226	(26 232)	118 663 530	21 603 603	-	1 581 594	(10 514)	-	23 174 683	95 488 847
Sanitation	190 930 395	(2 010 366)	5 589 018	357 210	(1 729 206)	193 137 051	27 149 280	(886 668)	4 022 523	(1 138 862)	-	29 146 273	163 990 778
Solid Waste	32 344 727	6 928 176	1 878 807	(76 206)	-	41 075 504	19 736 608	(19 569 861)	3 784 244	-	-	3 950 991	37 124 512
Solid Waste Infrastructure	674 281	76 206	96 797	(76 206)	-	771 078	166 747	-	38 406	-	-	205 153	565 925
Landfill Sites *	31 670 446	6 851 970	1 782 010	-	-	40 304 426	19 569 861	(19 569 861)	3 745 838	-	-	3 745 838	36 558 587
	528 754 712	11 574 968	44 786 656	14 504 983	(3 088 668)	596 532 651	114 977 962	(20 456 529)	14 701 961	(2 147 069)	-	107 076 325	489 456 327
Community Assets													
Parks and Gardens	21 439 049	(1 585 998)	-	691 588	-	20 544 639	143 800	(29 022)	27 343	-	-	142 121	20 402 517
Libraries	2 453 906	(1 565 848)	577 215	-	-	1 465 273	320 213	(238 921)	7 601	-	-	88 893	1 376 380
Recreational Facilities	47 587 369	(1 336 695)	550 051	304 348	-	47 105 073	2 930 594	(1 352 115)	212 740	-	-	1 791 219	45 313 854
Ranks and Parkings	5 252 500	41 079	-	-	-	5 293 579	118 636	3 609	11 114	-	-	133 359	5 160 220
Cemeteries	685 000	229 737	-	-	-	914 737	2 310	24 720	2 457	-	-	29 487	885 250
Clinics/Care Centres	-	72 784	-	-	-	72 784	-	26 132	728	-	-	26 860	45 924
Buildings	24 074 181	14 766 568	394 564	-	-	39 235 313	2 797 694	959 959	323 892	-	-	4 081 546	35 153 767
	101 492 005	10 621 627	1 521 830	995 936	-	114 631 397	6 313 247	(605 637)	585 875	-	-	6 293 485	108 337 912
Land and Buildings													
Other Land	15 009 582	7 018 026	-	-	(11 500)	22 016 108	-	-	-	-	-	-	22 016 108
Operational Buildings	42 725 061	(5 403 292)	12 570	735 144	(38 500)	38 030 983	7 171 685	(3 266 115)	384 839	(4 234)	-	4 286 175	33 744 808
	57 734 643	1 614 734	12 570	735 144	(50 000)	60 047 091	7 171 685	(3 266 115)	384 839	(4 234)	-	4 286 175	55 760 916
Other Assets													
Computer Equipment	1 664 681	976 828	459 039	-	(34 539)	3 066 009	332 389	766 506	327 767	(30 745)	30 736	1 426 653	1 639 356
Furniture and Office Equipment	4 593 665	(444 571)	960 953	-	(15 513)	5 094 534	2 639 849	(404 672)	379 819	(14 859)	32 096	2 632 233	2 462 301
Machinery and Equipment	3 271 223	1 407	245 133	-	(173 932)	3 343 831	1 597 930	(38 315)	366 276	(99 041)	40 618	1 867 468	1 476 363
Transport Assets	22 035 980	1 159	9 571 821	-	(12 436)	31 596 524	12 186 127	(1 364 334)	1 388 802	(12 086)	15 303	12 213 813	19 382 711
	31 565 549	534 823	11 236 946	-	(236 420)	43 100 898	16 756 295	(1 040 814)	2 462 664	(156 731)	118 753	18 140 167	24 960 731
Leases													
Furniture and Office Equipment	-	439 355	701 171	-	-	1 140 526	-	242 016	351 414	-	-	593 430	547 096
	-	439 355	701 171	-	-	1 140 526	-	242 016	351 414	-	-	593 430	547 096
Total	719 546 909	24 785 506	58 259 174	16 236 063	(3 375 088)	815 452 564	145 219 189	(25 127 080)	18 486 753	(2 308 034)	118 753	136 389 582	679 062 981

* - Landfill sites additions relates to non-monetary adjustments as a result of changes in accounting estimates. Refer to Note 12.

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
2.3 Property, Plant and Equipment which is in the process of being constructed or developed:		
Infrastructure Assets	37 048 474	23 991 010
Roads and Storm Water	288 025	7 595 033
Electricity	3 503 879	4 141 876
Water Supply	19 159 796	11 844 015
Sanitation	14 096 774	410 084
Community Assets	2 050 338	1 457 781
Operational Buildings	75 795	995 936
Total Property, Plant and Equipment under construction	39 174 606	26 444 726
The movements for the year can be reconciled as follows:		
Balance at beginning of year	26 444 726	10 208 663
Expenditure during the year	28 958 069	23 325 352
Assets unbundled during the year	(16 228 188)	(7 089 289)
Balance at end of year	39 174 607	26 444 726

There are no projects that are taking a significantly longer period of time to complete than expected.

There are no projects where construction or development has been halted.

2.4 Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Other materials	5 303 870	7 380 195
Contracted Services	1 045 564	1 344 164
Other Expenditure	926 805	1 000 052
Total Repairs and Maintenance	7 276 238	9 724 412

2.5 Assets pledged as security:

Leased Property, Plant and Equipment of R 289 176 (2019: R547 096) is secured for leases as set out in Note 11.

2.6 Impairment losses of Property, Plant and Equipment

Impairment losses on Property, Plant and Equipment recognised in Statement of Financial Performance are as follows:

Infrastructure	-	-
Other	-	118 753
Total Impairment Losses	-	118 753

2.7 Reversal of Impairment losses of Property, Plant and Equipment

Reversal of Impairment losses on Property, Plant and Equipment recognised in statement of financial performance are as follows:

Infrastructure	-	-
Other	55 571	-
Total Reversal of Impairment losses	55 571	-

2.8 Effect of changes in accounting estimates

GRAP 17 - Property, Plant and Equipment, requires the review of the useful life of an asset at least at each financial year end. The Municipality revised the estimated remaining useful lives for moveable assets with effect from 30 June 2020. The revisions were accounted for prospectively as a change in accounting estimates and as a result , the carrying amounts of the moveable assets of the municipality for the current and following financial years have been adjusted as follows:

	2019 R	2020 R	2021 R
Effect on Property, plant and equipment	(319 474)	(638 948)	(1 413 151)

2.9 Contractual commitments for acquisition of Property, Plant and Equipment:

Approved and contracted for:	33 674 922	20 566 545
Infrastructure	33 674 922	20 566 545
Total	33 674 922	20 566 545
This expenditure will be financed from:		
Government Grants	33 650 144	20 566 545
Own Resources	24 778	-
Total	33 674 922	20 566 545

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
3. INVESTMENT PROPERTY		
3.1 Net Carrying amount at 1 July	87 225 305	67 092 605
Valuation	87 225 305	67 344 800
Correction of Error - Note 44.2	-	(252 195)
Gains/(Losses) arising from changes in fair value	(28 745 289)	21 170 200
Disposals - Current year	-	(1 037 500)
Net Carrying amount at 30 June	58 480 016	87 225 305
Valuation	58 480 016	87 225 305
3.2 Revenue from Investment Property		
Revenue derived from the rental of Investment Property	204 892	212 336
3.3 Operating Expenditure incurred on properties:		
Repairs and Maintenance		
Revenue Generating	-	8 875
Improved Property	-	8 875
Total Repairs and Maintenance	-	8 875
<p>There are no Investment Property which is in the process of being constructed or developed.</p> <p>There are no Investment Property that are taking a significantly longer period of time to complete than expected.</p> <p>There are no Investment Property where construction or development has been halted.</p> <p>There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of</p> <p>There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or</p>		
4. INTANGIBLE ASSETS		
4.1 Net Carrying amount at 1 July	491 717	610 882
Cost	997 224	997 224
Accumulated Amortisation	(505 507)	(386 342)
Additions	-	-
Amortisation	(119 165)	(119 165)
Net Carrying amount at 30 June	372 552	491 717
Cost	997 224	997 224
Accumulated Amortisation	(624 672)	(505 507)
<p>Computer Software have a life span of 15 years and rights (servitudes) have an indefinite lifespan because there is no foreseeable limit to the period over which the servitudes are expected to generate net cash inflows or service potential for the municipality.</p> <p>There are no internally generated intangible assets at reporting date.</p> <p>There are no intangible assets whose title is restricted.</p> <p>There are no intangible assets pledged as security for liabilities.</p> <p>There are no contractual commitments for the acquisition of intangible assets.</p>		
5. LONG-TERM RECEIVABLES		
Receivables with repayment arrangements at amortised cost	1 562 724	2 049 060
Less: Current Portion of Long-term Receivables	(390 681)	(768 397)
	1 172 043	1 280 663
Less: Provision for Debt Impairment	(781 362)	(1 024 531)
Total Long-term Receivables	390 681	256 132
Reconciliation of Provision for Debt Impairment		
Balance at beginning of year	1 024 531	360 699
Contribution to provision	-	663 832
Reversal of provision	(243 169)	-
Balance at end of year	781 362	1 024 531
<p>Receivables subject to repayment arrangements are debtors which are repaying their outstanding consumers accounts over a period of more than 12 months. There are no standard repayment terms, therefore no age analysis is available for these non-current receivables.</p>		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
6. OPERATING LEASE ASSET		
The Municipality as Lessee		
Operating Lease Asset	917	86 179
<u>Disclosed as follows:</u>		
Non-Current Operating Lease Asset	917	78 536
Current Operating Lease Asset	-	7 643
	917	86 179
<u>Reconciliation</u>		
Balance at the beginning of the year	86 179	87 564
Movement during the year	(85 262)	(1 385)
Balance at the end of the year	917	86 179
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay		
Up to 1 Year	45 573	103 872
1 to 5 Years	88 305	345 384
More than 5 Years	-	8 029
Total Operating Lease Arrangements	133 878	457 285
This operating lease income determined from contracts that have a specific condition income and does not include leases which has a undetermined conditional income.		
The Municipality is leasing land for a period of 36 months and escalation of 8% per year.		
The municipality does not engage in any sub-lease arrangements.		
The municipality did not receive any contingent rent during the year.		
7. INVENTORY		
Consumables	245 000	7 019
Finished Goods	13 707	17 440
Water	360 128	442 313
Total Inventory	618 835	466 772
7.1 Inventories recognise as an expense during the year:		
Consumables	4 647 682	5 670 229
Materials, Water and Finished Goods	3 490 777	4 686 841
Total	8 138 459	10 357 070
No inventories were pledged as security for liabilities.		
8. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	11 751 349	9 550 287
Water	15 586 284	11 958 398
Waste Management	18 238 268	13 083 694
Waste Water Management	17 100 458	12 000 914
Other Arrears	23 024 635	20 826 680
Accounts handed over	8 674 970	8 799 618
Interest	8 190 844	5 584 848
Housing Selling Scheme	314 111	355 469
Property Rental Debtors	314 840	299 931
Other Services	3 292 307	3 633 181
Sundry Arrears	2 237 563	2 153 633
Prepayments and Advances	-	1 756 582
Correction of Error 2018/2019 - Note 44.3	-	(15 575)
Total: Receivables from exchange transactions (before provision)	85 700 994	69 160 981
Less: Provision for Debt Impairment	(67 864 127)	(48 860 496)
Total: Receivables from exchange transactions (after provision)	17 836 867	20 300 485

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	6 071 862	5 855 957
31 - 60 Days	1 910 888	1 355 661
61 - 90 Days	602 673	312 258
+ 90 Days	3 165 925	2 026 411
Total	11 751 349	9 550 287
<u>(Water): Ageing</u>		
Current (0 - 30 days)	1 637 653	2 025 912
31 - 60 Days	775 831	928 884
61 - 90 Days	628 907	795 774
+ 90 Days	12 543 893	8 207 828
Total	15 586 284	11 958 398
<u>(Waste Management): Ageing</u>		
Current (0 - 30 days)	1 627 556	1 058 181
31 - 60 Days	1 009 773	737 444
61 - 90 Days	808 226	531 944
+ 90 Days	14 792 714	10 756 125
Total	18 238 268	13 083 694
<u>(Waste Water Management): Ageing</u>		
Current (0 - 30 days)	1 494 423	921 661
31 - 60 Days	999 062	724 943
61 - 90 Days	818 606	554 848
+ 90 Days	13 788 367	9 799 462
Total	17 100 458	12 000 914
<u>(Accounts handed over): Ageing</u>		
Current (0 - 30 days)	12 312	1 125
31 - 60 Days	-	11 896
61 - 90 Days	-	381
+ 90 Days	8 662 658	8 786 216
Total	8 674 970	8 799 618
<u>(Interest): Ageing</u>		
Current (0 - 30 days)	25 942	423 374
31 - 60 Days	8 784	453 404
61 - 90 Days	8 895	414 347
+ 90 Days	8 147 222	4 293 722
Total	8 190 844	5 584 848
<u>(Housing selling scheme): Ageing</u>		
Current (0 - 30 days)	329	9 246
31 - 60 Days	512	6 708
61 - 90 Days	329	6 162
+ 90 Days	312 941	333 353
Total	314 111	355 469
<u>(Property Rental Debtors): Ageing</u>		
Current (0 - 30 days)	76 296	79 027
31 - 60 Days	43 703	32 628
61 - 90 Days	20 997	18 227
+ 90 Days	173 844	170 050
Total	314 840	299 931
<u>(Other Services): Ageing</u>		
Current (0 - 30 days)	1 165	562
31 - 60 Days	1 127	579
61 - 90 Days	1 286	276
+ 90 Days	3 288 728	3 631 764
Total	3 292 307	3 633 181

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<u>(Sundry arrears): Ageing</u>		
Current (0 - 30 days)	144 030	144 779
31 - 60 Days	79 673	79 513
61 - 90 Days	36 797	41 201
+ 90 Days	1 977 063	1 888 141
Total	2 237 563	2 153 633

(Other Arrears Total): Ageing

Current (0 - 30 days)	260 075	658 112
31 - 60 Days	133 800	584 727
61 - 90 Days	68 305	480 595
+ 90 Days	22 562 456	19 103 246
Total	23 024 635	20 826 680

(Total): Ageing

Current (0 - 30 days)	11 091 569	10 519 824
31 - 60 Days	4 829 353	4 331 659
61 - 90 Days	2 926 717	2 675 419
+ 90 Days	66 853 355	49 893 072
Total	85 700 994	67 419 974

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Total</u>
30 June 2020				
Current (0 - 30 days)	7 365 919	2 630 021	1 095 628	11 091 569
31 - 60 Days	3 477 112	898 949	453 292	4 829 353
61 - 90 Days	2 594 562	224 634	107 520	2 926 717
+ 90 Days	64 889 137	1 637 663	326 554	66 853 355
Sub-total	78 326 731	5 391 267	1 982 995	85 700 994
Less: Provision for Debt Impairment	(65 430 250)	(1 980 375)	(453 502)	(67 864 127)
Total debtors by customer classification	12 896 481	3 410 892	1 529 494	17 836 867

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Total</u>
30 June 2019				
Current (0 - 30 days)	6 593 434	2 783 725	1 167 597	10 544 756
31 - 60 Days	3 657 586	573 446	104 990	4 336 022
61 - 90 Days	2 509 743	137 928	32 112	2 679 783
+ 90 Days	48 653 643	1 057 339	148 431	49 859 413
Sub-total	61 414 406	4 552 438	1 453 130	67 419 974
Less: Provision for Debt Impairment	(47 552 494)	(1 118 711)	(189 291)	(48 860 496)
Total debtors by customer classification	13 861 912	3 433 727	1 263 839	18 559 478

	2020 R	2019 R
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year	48 860 496	43 874 168
Previously stated	-	40 371 776
Correction of Error periods prior to 1 July 2018 - Note 44.3	-	3 502 392
Contribution to provision	17 032 689	3 183 453
Previously stated	-	1 380 577
Correction of Error 2018/2019 - Note 44.3	-	1 802 876
VAT on provision	1 970 942	1 802 875
Balance at end of year	67 864 127	48 860 496

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
The total amount of this provision is R 67 864 127 (2019: R 48 860 496) and consist of:		
Electricity	3 873 936	2 149 152
Water	12 697 661	8 399 159
Refuse	15 025 195	10 190 699
Sewerage	14 076 336	9 111 990
Other Arrears	22 190 999	19 009 496
Total Provision for Debt Impairment on Receivables from exchange transactions	67 864 127	48 860 496

Ageing of amounts past due but not impaired:

1 month past due	3 889 814	3 920 658
2+ months past due	4 629 402	4 132 931
	8 519 216	8 053 589

9. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates	17 974 548	13 074 665
Fines	36 699 031	30 656 619
Other Receivables	806 740	555 219
Correction of Error 2018/2019 - Note 44.4	-	(4 399)
	55 480 319	44 282 104
Less: Provision for Debt Impairment	(46 711 552)	(35 701 879)
Total Receivables from non-exchange transactions	8 768 767	8 580 225

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

(Rates): Ageing

Current (0 - 30 days)	3 443 257	2 570 850
31 - 60 Days	1 600 494	837 533
61 - 90 Days	900 351	540 985
+ 90 Days	12 030 446	9 125 297
Total	17 974 548	13 074 665

(Fines): Ageing

Current (0 - 30 days)	346 450	924 250
31 - 60 Days	407 300	1 049 000
61 - 90 Days	204 000	804 250
+ 90 Days	35 741 281	27 879 119
Total	36 699 031	30 656 619

Summary of Debtors (Rates) by Customer Classification

	Residential	Industrial/ Commercial	National and Provincial Government	Total
30 June 2020				
Current (0 - 30 days)	2 633 873	485 496	323 888	3 443 257
31 - 60 Days	1 120 046	194 350	286 098	1 600 494
61 - 90 Days	755 599	59 046	85 706	900 351
+ 90 Days	9 785 721	399 107	1 845 617	12 030 446
Sub-total	14 295 240	1 137 999	2 541 309	17 974 548
Less: Provision for Debt Impairment	(9 876 559)	(454 731)	(1 866 276)	(12 197 566)
Total debtors by customer classification	4 418 681	683 268	675 033	5 776 982

Summary of Debtors (Rates) by Customer Classification

	Residential	Industrial/ Commercial	National and Provincial Government	Total
30 June 2019				
Current (0 - 30 days)	2 130 346	425 206	15 297	2 570 849
31 - 60 Days	760 123	67 313	10 096	837 532
61 - 90 Days	503 642	27 287	10 056	540 985
+ 90 Days	7 029 187	138 437	1 957 675	9 125 299
Sub-total	10 423 298	658 243	1 993 124	13 074 665
Less: Provision for Debt Impairment	(6 848 866)	(139 450)	(1 949 708)	(8 938 024)
Total debtors by customer classification	3 574 432	518 793	43 416	4 136 641

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year	35 701 879	23 953 026
Contribution to provision	11 009 673	11 748 853
Reversal of provision	-	-
Balance at end of year	46 711 552	35 701 879

The total amount of this provision is R 46 711 552 (2019: R 35 701 880) and consists of:

Taxes	12 197 566	8 938 024
Fines	34 513 986	26 763 856
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	46 711 552	35 701 880

Ageing of Rates amounts past due but not impaired:

1 month past due	1 375 906	792 919
2+ months past due	1 417 317	893 140
	2 793 223	1 686 059

The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. This is considered to be a subsequent event. The provision for impairment is based on current and past collection rates applicable to fines.

10. BANK ACCOUNTS**Cash and Cash Equivalents**

Current Accounts	14 286 753	29 411 445
Call Deposits and Investments	-	2 007 489
Cash On-hand	5 620	5 620
Total Cash and Cash Equivalents	14 292 373	31 424 554

Cash and cash equivalents comprise cash held and short-term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

Current Accounts

ABSA Bank Limited - Account Number 40-5057-5029 (Primary Bank Account)	9 381 746	361 243
ABSA Bank Limited - Account Number 40-7513-2844	203 181	11 151 686
ABSA Bank Limited - Account Number 40-7512-9982	2 661 443	12 634 070
ABSA Bank Limited - Account Number 40-7554-5657	1 486 349	4 738 879
ABSA Bank Limited - Account Number 40-9041-7837	554 034	525 567
	14 286 753	29 411 445

Call Deposits and Investments

Investec - Account Number 1100459268620/1	-	2 007 489
	-	2 007 489

Details of current accounts are as follow:

ABSA Bank Limited - Account Number 40-5057-5029 (Primary Bank Account)

Cash book balance at beginning of year	361 243	8 372 301
Cash book balance at end of year	9 381 746	361 243

Bank statement balance at beginning of year	4 114 230	8 137 316
Bank statement balance at end of year	9 498 737	4 114 230

ABSA Bank Limited - Account Number 40-7513-2844

Cash book balance at beginning of year	11 151 686	19 075 881
Cash book balance at end of year	203 181	11 151 686

Bank statement balance at beginning of year	11 151 686	19 075 881
Bank statement balance at end of year	203 181	11 151 686

ABSA Bank Limited - Account Number 40-7512-9982

Cash book balance at beginning of year	12 634 070	8 272 813
Cash book balance at end of year	2 661 443	12 634 070

Bank statement balance at beginning of year	12 634 070	8 272 813
Bank statement balance at end of year	2 661 443	12 634 070

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
ABSA Bank Limited - Account Number 40-7554-5657		
Cash book balance at beginning of year	4 738 879	3 596 664
Cash book balance at end of year	1 486 349	4 738 879
Bank statement balance at beginning of year	4 738 879	3 596 664
Bank statement balance at end of year	1 486 349	4 738 879
ABSA Bank Limited - Account Number 40-9041-7837		
Cash book balance at beginning of year	525 567	5 239 358
Cash book balance at end of year	554 034	525 567
Bank statement balance at beginning of year	525 567	5 239 358
Bank statement balance at end of year	554 034	525 567
Details of call investment account is as follow: Investec - Account Number 1100459268620/1		
Cash book balance at beginning of year	2 007 489	1 875 902
Cash book balance at end of year	-	2 007 489
Bank statement balance at beginning of year	2 007 489	1 875 902
Bank statement balance at end of year	-	2 007 489
11. LONG-TERM BORROWINGS		
Annuity Loans - At amortised cost	24 323 870	29 367 266
Capitalised Lease Liability - At amortised cost	318 033	573 877
Capitalised Lease Liability - At amortised cost - Previously reported	-	-
Correction of Error - Note 44.5	-	573 877
	24 641 903	29 941 143
Less: Current Portion transferred to Current Liabilities	(6 857 743)	(7 010 678)
Annuity Loans - At amortised cost	(6 588 143)	(6 754 834)
Capitalised Lease Liability - At amortised cost	(269 600)	-
Correction of Error - Note 44.8	-	(255 844)
Total Long-term Borrowings	17 784 160	22 930 465
11.1 The obligations under annuity loans are scheduled below:	Minimum payments	
Amounts payable under annuity loans:		
Payable within one year	8 209 283	9 387 791
Payable within two to five years	15 416 030	20 887 328
Payable after five years	6 806 424	10 028 155
	30 431 737	40 303 274
Less: Future finance obligations	(6 107 867)	(10 936 008)
Present value of annuity loans obligations	24 323 870	29 367 266
11.2 The obligations under finance leases are scheduled below:	Minimum payments	
Amounts payable under finance leases:		
Payable within one year	289 354	301 284
Payable within two to five years	50 897	340 251
Payable after five years	-	-
	340 251	641 535
Less: Future finance obligations	(22 218)	(67 657)
Present value of finance lease obligations	318 033	573 877

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Nashua	Printers MP201SPFH1	10%	0%	3 Years	31/07/2019
Nashua	Printers MPC2011SPGYB	10%	0%	3 Years	31/07/2019
Nashua	Printers MPC2011SP	10%	0%	3 Years	31/07/2019
Bytes Document Solutions	Printers Versalink C7025	10%	0%	3 Years	31/07/2021
Nashua	Printers MP2501SPFH1	10%	0%	3 Years	31/07/2021
Nashua	Printers MPC2004EXSP	10%	0%	3 Years	31/07/2021
EDK Besigheidsmasjiene	Printers Ecosys M2540DN	10%	0%	3 Years	31/07/2021
Nashua	CCTV system HIKVISION	11%	0%	5 Years	31/01/2023

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Finance Leases are secured by property, plant and equipment - Note 2.

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
12. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	44 239 481	43 767 062
Total Non-current Provisions	44 239 481	43 767 062
12.1 Landfill Sites		
Balance 1 July	43 767 062	62 314 975
Contribution for the year	3 713 657	3 462 635
Increase/(Decrease) due to discounting	(3 241 237)	1 782 010
Expenditure for the year	-	-
Correction of Error - Note 44.6	-	(23 792 557)
Total provision 30 June	44 239 481	43 767 062
Less: Transfer of Current Portion to Current Provisions	-	-
Balance 30 June	44 239 481	43 767 062

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer.

The future obligations for rehabilitating the landfill sites has been calculated using a discount rate (SA Bond yield) between 6,806% - 10,293% depending on the remaining useful life of the landfill-sites.

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Klawer	Vanrhynsdorp	Vredendal
Rehabilitation Area (m²)	11 594	25 641	50 387
Preliminary and general	450 287	1 418 197	1 002 687
Site Clearance and Preparation	37 217	82 308	161 742
Storm Water Control Measures	1 163 254	1 566 440	2 151 597
Capping	869 550	8 129 530	3 779 025
Gas Management	-	-	-
Leachate Management	254 409	340 948	475 349
Fencing	891 910	10 757	594 333
Environmental Authorisation (Closure License)	-	467 233	-
Technical ROD	96 443	96 443	96 443
Install Groundwater Monitoring Boreholes with lockable caps	163 416	149 314	313 799
Landscape Architects	105 636	117 592	128 240
Water use licence	20 000	20 000	20 000
Topographical Survey	6 413	6 413	11 496
Contingencies (10%)	366 663	1 154 818	816 473
Engineering: Professional Fees	302 497	952 725	673 591
Site Supervision (Engineer's Representative)	279 651	692 106	470 806
Site Supervision (Environmental Control Officer & OHS Agent)	105 901	151 504	189 380
	Lutzville	Strandfontein	Doringbaai
Rehabilitation Area (m²)	37 327	7 716	11 537
Preliminary and general	824 480	237 792	302 886
Site Clearance and Preparation	119 820	24 768	37 034
Storm Water Control Measures	2 272 422	882 093	879 484
Capping	2 799 525	578 700	865 275
Gas Management	-	-	-
Leachate Management	686 620	202 196	370 922
Fencing	10 757	10 757	10 757
Environmental Authorisation (Closure License)	467 233	-	-
Technical ROD	96 443	96 443	96 443
Install Groundwater Monitoring Boreholes with lockable caps	281 664	276 859	128 922
Landscape Architects	130 056	109 396	121 297
Water use licence	20 000	20 000	20 000
Topographical Survey	8 516	6 413	6 413
Contingencies (10%)	671 362	193 631	246 636
Engineering: Professional Fees	553 874	159 745	203 474
Site Supervision (Engineer's Representative)	427 321	287 387	311 808
Site Supervision (Environmental Control Officer & OHS Agent)	180 101	128 116	140 885

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Bitterfontein	Kliprand	Rietpoort
Rehabilitation Area (m²)	4 658	1 818	796
Preliminary and general	337 641	177 497	112 792
Site Clearance and Preparation	14 952	5 836	2 555
Storm Water Control Measures	713 060	550 499	338 541
Capping	1 501 698	580 736	59 700
Gas Management	-	-	-
Leachate Management	171 255	120 008	91 968
Fencing	10 757	10 757	312 890
Environmental Authorisation (Closure License)	-	-	-
Technical ROD	96 443	96 443	96 443
Install Groundwater Monitoring Boreholes with lockable caps	219 752	233 993	298 176
Landscape Architects	111 302	101 817	115 988
Water use licence	20 000	20 000	20 000
Topographical Survey	6 413	6 413	6 413
Contingencies (10%)	274 936	144 533	91 845
Engineering: Professional Fees	226 822	119 240	75 772
Site Supervision (Engineer's Representative)	528 232	471 553	225 265
Site Supervision (Environmental Control Officer & OHS Agent)	139 385	108 377	125 305
	Nuwerus	Ebenhaeser	Koekenaap
Rehabilitation Area (m²)	3 276	3 918	5 044
Preliminary and general	153 677	250 664	509 597
Site Clearance and Preparation	10 516	12 577	16 191
Storm Water Control Measures	636 434	793 808	1 010 094
Capping	291 456	312 834	1 615 095
Gas Management	-	-	-
Leachate Management	148 532	155 784	232 170
Fencing	10 757	515 457	766 426
Environmental Authorisation (Closure License)	-	-	-
Technical ROD	96 443	96 443	96 443
Install Groundwater Monitoring Boreholes with lockable caps	289 876	136 960	136 610
Landscape Architects	100 545	97 749	108 469
Water use licence	20 000	20 000	20 000
Topographical Survey	6 413	6 413	6 413
Contingencies (10%)	125 137	204 112	414 957
Engineering: Professional Fees	103 238	168 393	342 340
Site Supervision (Engineer's Representative)	196 676	348 959	434 746
Site Supervision (Environmental Control Officer & OHS Agent)	100 865	84 338	102 202

The municipality has an obligation to rehabilitate landfill sites at the end of the expected usefull life of the asset. The estimate cost, based on an average inflation rate of 5,08%, and date of decommission of the sites are as follows:

Location	Estimated decommission date	2020 R	2019 R
Klawer	2033	9 737 726	9 737 726
Vanrhynsdorp	2031	26 485 493	26 485 493
Vredendal	2033	20 729 447	20 729 447
Lutzville	2024	11 643 737	11 643 737
Strandfontein	2031	5 543 786	5 543 786
Doringbaai	2031	6 454 340	6 454 340
Bitterfontein	2029	6 830 071	6 830 071
Kliprand	2029	4 291 906	4 291 906
Rietpoort	2029	3 082 840	3 082 840
Nuwerus	2033	4 362 182	4 362 182
Ebenhaeser	2031	5 526 875	5 526 875
Koekenaap	2033	11 067 970	11 067 970
		115 756 373	115 756 373

13. NON-CURRENT EMPLOYEE BENEFITS

Provision for Post Retirement Health Care Benefits	28 476 000	28 779 355
Provision for Long Service Awards	5 958 000	5 638 022
Total Non-current Employee Benefits	34 434 000	34 417 377
<u>Post Retirement Health Care Benefits</u>		
Balance 1 July	30 319 423	28 536 628
Contribution for the year	4 004 275	3 750 001
Expenditure for the year	(1 563 549)	(1 416 006)
Actuarial Loss/(Gain)	(2 638 149)	(551 200)
Total provision 30 June	30 122 000	30 319 423
Less: Transfer of Current Portion to Current Provisions - Note 14	(1 646 000)	(1 540 068)
Balance 30 June	28 476 000	28 779 355

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<u>Long Service Awards</u>		
Balance 1 July	6 297 099	5 831 949
Contribution for the year	1 122 688	1 020 576
Expenditure for the year	(747 197)	(505 565)
Actuarial Loss/(Gain)	(99 590)	(49 861)
Total provision 30 June	6 573 000	6 297 099
Less: Transfer of Current Portion to Current Provisions - Note 14	(615 000)	(659 077)
Balance 30 June	5 958 000	5 638 022

13.1 Provision for Post Retirement Health Care Benefits

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	127	115
In-service (employee) non-members	308	125
Continuation members (e.g. Retirees, widows, orphans)	34	36
Total Members	469	276

The liability in respect of past service has been estimated to be as follows:

In-service members	9 740 000	10 662 583
In-service non-members	3 523 000	1 619 492
Continuation members	16 859 000	18 037 345
Total Liability	30 122 000	30 319 420

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018 R	2017 R	2016 R
In-service members	10 530 407	10 844 723	11 423 790
In-service non-members	2 122 331	1 963 351	1 770 364
Continuation members	15 883 890	14 279 860	13 521 863
Total Liability	28 536 628	27 087 934	26 716 017

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas
Hosmed
LA Health
Key Health, and
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R1 381 000, whereas the Interest Cost for the next year is estimated to be R2 964 000.

	2020 %	2019 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	10.11%	9.22%
Health Care Cost Inflation Rate	6.21%	6.73%
Net Effective Discount Rate	3.67%	2.33%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 62 years.

iv) Expected rate of salary increases

2020/2021 - CPI + 1,25%

The three-year Salary and Wage Collective Agreement ends on 30 June 2021.

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	30 122 000	30 319 423
Fair value of plan assets	-	-
Net liability	30 122 000	30 319 423

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	30 319 423	28 536 628
Total expenses	2 440 726	2 333 995
Current service cost	1 278 256	1 117 647
Interest Cost	2 726 019	2 632 354
Benefits Paid	(1 563 549)	(1 416 006)
Actuarial (gains)/losses	(2 638 149)	(551 200)
Present value of fund obligation at the end of the year	30 122 000	30 319 423

Sensitivity Analysis on the Accrued Liability on 30 June 2020:

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	13.263	16.859	30.122

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation rate	+1%	16.113	18.336	34.449	14%
Health care inflation rate	-1%	11.017	15.564	26.581	-12%
Discount rate	+1%	11.105	15.618	26.723	-11%
Discount rate	-1%	16.026	18.294	34.320	14%
Post-employment mortality	+1 yr	12.925	16.261	29.186	-3%
Post-employment mortality	-1 yr	13.598	17.460	31.058	3%
Average retirement age	-1 yr	14.673	16.859	31.532	5%
Continuation of membership at retirement	-10%	9.709	16.859	26.568	-12%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2021:

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions	1 381 000	2 964 000	4 345 000

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Health care inflation rate	+1%	1 704 000	3 401 000	5 105 000	17%
Health care inflation rate	-1%	1 130 000	2 607 000	3 737 000	-14%
Discount rate	+1%	1 149 000	2 880 000	4 029 000	-7%
Discount rate	-1%	1 680 000	3 053 000	4 733 000	9%
Post-retirement mortality	+1 yr	1 346 000	2 870 000	4 216 000	-3%
Post-retirement mortality	-1 yr	1 415 000	3 059 000	4 474 000	3%
Average retirement age	-1 yr	1 514 000	3 107 000	4 621 000	6%
Continuation of membership at retirement	-10%	1 001 000	2 605 000	3 606 000	-17%

	2020 Rm	2019 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	3.631	0.652
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018 Rm	2017 Rm	2016 Rm
Liabilities: (Gain) / loss	0.754	0.833	0.064
Assets: Gain / (loss)	-	-	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
13.2 Provision for Long Service Bonuses		
The Long Service Bonus plans are defined benefit plans. As at year end, 435 employees were eligible for Long Service Bonuses.		
The Current-service Cost for the ensuing year is estimated to be R624 000 whereas the Interest Cost for the next year is estimated to be R489 000.		
Key actuarial assumptions used:	2020 %	2019 %
i) Rate of interest		
Discount rate	7.79%	8.30%
General Salary Inflation (long-term)	4.22%	5.64%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.43%	2.52%
	2020 R	2019 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	6 573 000	6 297 099
Fair value of plan assets	-	-
Net liability	6 573 000	6 297 099
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	6 297 099	5 831 949
Total expenses	375 491	515 011
Current service cost	626 835	530 220
Interest Cost	495 853	490 356
Benefits Paid	(747 197)	(505 565)
Actuarial (gains)/losses	(99 590)	(49 861)
Present value of fund obligation at the end of the year	6 573 000	6 297 099
Sensitivity Analysis on the Accrued Liability on 30 June 2020:		

	Change	Liability (Rm)	% change
Assumption			
Central assumptions		6 573.000	
General earnings inflation rate	+1%	7 057.000	7%
General earnings inflation rate	-1%	6 139.000	-7%
Discount rate	+1%	6 130.000	-7%
Discount rate	-1%	7 077.000	8%
Average retirement age	+2 yrs	7 367.000	12%
Average retirement age	-2 yrs	5 678.000	-14%
Withdrawal rates	x200%	5 143.000	-22%
Withdrawal rates	x50%	7 570.000	15%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2021:

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
Central Assumptions	624 000	489 000	1 113 000

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption					
General earnings inflation rate	+1%	682 000	526 000	1 208 000	9%
General earnings inflation rate	-1%	571 000	455 000	1 026 000	-8%
Discount rate	+1%	576 000	512 000	1 088 000	-2%
Discount rate	-1%	678 000	460 000	1 138 000	2%
Average retirement age	+2 yrs	693 000	549 000	1 242 000	12%
Average retirement age	-2 yrs	549 000	419 000	968 000	-13%
Withdrawal rates	x200%	440 000	377 000	817 000	-27%
Withdrawal rates	x50%	762 000	566 000	1 328 000	19%

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	329 410	886 503
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018 R	2017 R	2016 R
Liabilities: (Gain) / loss	195 916	(468 372)	248 501
Assets: Gain / (loss)	-	-	-

13.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

LA RETIREMENT FUND (PREVIOUSLY CAPE JOINT PENSION FUND)

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in a sound financial position with a funding level of 100,7% (30 June 2018 - 103,7%).

	2020 R	2019 R
Contributions paid recognised in the Statement of Financial Performance	35 625	33 450

CONSOLIDATED RETIREMENT FUND (PREVIOUSLY CAPE JOINT RETIREMENT FUND)

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2017 revealed that the fund is in a sound financial position with a funding level of 100,3% (30 June 2018 - 100,4%).

Contributions paid recognised in the Statement of Financial Performance	14 871 035	12 786 803
---	------------	------------

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance	1 023 493	993 997
---	-----------	---------

14. CURRENT EMPLOYEE BENEFITS

Performance Bonuses	-	-
Staff Bonuses	4 220 932	3 764 438
Staff Leave	10 333 958	7 995 033
Pension	33 979	33 979
Current Portion of Non-Current Provisions	2 261 000	2 199 145
Current Portion of Post Retirement Benefits - Note 13	1 646 000	1 540 068
Current Portion of Long-Service Provisions - Note 13	615 000	659 077
Total Provisions	16 849 870	13 992 596

The movement in current provisions are reconciled as follows:

14.1 Staff Bonuses

Balance at beginning of year	3 764 438	2 870 725
Contribution to current portion	7 733 984	6 819 011
Expenditure incurred	(7 277 490)	(5 925 298)
Balance at end of year	4 220 932	3 764 438

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
14.2 <u>Staff Leave</u>		
Balance at beginning of year	7 995 033	6 560 598
Contribution to current portion	3 569 834	2 616 913
Expenditure incurred	(1 230 909)	(1 182 478)
	<u>10 333 958</u>	<u>7 995 033</u>
Balance at end of year		

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

14.3 <u>Pension</u>		
Balance at beginning of year	33 979	33 979
Contribution to current portion	-	-
Expenditure incurred	-	-
	<u>33 979</u>	<u>33 979</u>
Balance at end of year		

Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement.

15. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	46 962 865	34 227 540
Previously stated	-	34 197 872
Creditors invoices not recognised in 2018/2019 - Note 44.7	-	29 668
Advance Payments	2 933 722	4 880 572
Previously stated	-	4 891 456
2018/2019 departmental charges included in balance - Note 44.7	-	(10 884)
Other Payables	11 574 236	2 964 625
Retentions	2 863 905	1 495 454
	<u>64 334 728</u>	<u>43 568 191</u>
Total Trade Payables		

Payables are being recognised net of any discounts.

Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates it's fair value.

All payables are unsecured.

16. UNSPENT TRANSFERS AND SUBSIDIES

Unspent Transfers and Subsidies	32 531 955	22 745 722
National Government Grants	27 981 416	3 098 705
Provincial Government Grants	3 895 544	16 312 298
District Municipality	42 580	-
Other Sources	612 415	3 334 719
Less: Unpaid Transfers and Subsidies	(4 949 788)	(30 915)
National Government Grants	(4 949 788)	-
Provincial Government Grants	-	(30 915)
	<u>27 582 167</u>	<u>22 714 807</u>
Total Unspent Transfers and Subsidies		

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

17. TAXES

17.1	VAT Payable	(1 800 956)	-
	VAT Output in Suspense	(5 440 441)	(6 686 252)
	Less: Contribution to Provision for Doubtful Debt Impairment	7 276 209	5 305 267
	Total VAT Payable	<u>34 812</u>	<u>(1 380 985)</u>
17.2	VAT Receivable	-	2 571 740
	VAT Input in Suspense	7 582 366	4 495 754
	Total VAT Receivable	<u>7 582 366</u>	<u>7 067 494</u>
17.3	Net VAT Receivable	<u>7 617 177</u>	<u>5 686 509</u>

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
18. NET ASSET RESERVES		
Capital Replacement Reserve	-	3 405 000
Total Net Asset Reserve and Liabilities	-	3 405 000

The Capital Replacement Reserve is used to finance future capital expenditure from own funds.

19. PROPERTY RATES

Actual

Rateable Land and Buildings

	50 823 901	43 428 480
Business and Commercial Properties	8 451 981	1 452 123
Industrial Properties	2 111 978	1 992 364
Mining Properties	499 543	-
Public Service Infrastructure Properties	161 401	145 683
Residential Properties	25 988 257	24 436 705
Small Holdings	141 863	125 917
State-owned Properties	5 828 895	5 281 762
Agricultural Property	7 639 982	9 993 926

Less: Revenue Forgone

(602 628) (203 067)

Total Property Rates

50 221 273 43 225 413

Valuations - 1 July 2019

	Building Clause Valuation	Site Valuation	Building Valuation	Total Valuation
Domestic	4 016 000	-	3 206 577 980	3 210 593 980
Accommodation	-	-	-	-
Commercial	-	-	688 868 000	688 868 000
Church	-	-	11 595 000	11 595 000
Light Industrial	-	-	217 685 500	217 685 500
Agricultural/Rural	-	-	4 463 804 600	4 463 804 600
State	-	-	540 637 266	540 637 266
Other - Pensioners etc.	-	-	100 496 000	100 496 000
Sporting Bodies	-	-	-	-
Total Property Valuations	4 016 000	-	9 229 664 346	9 233 680 346

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2016. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

	2020 R	2019 R
Basic Rate		
Residential (40% rebate on Residential - Agricultural)	0.009427 c/R	0.008961 c/R
Business and Commercial	0.012068 c/R	0.011471 c/R
Agricultural	0.001885 c/R	0.001792 c/R
DMA Agricultural (25% rebate on Agricultural tariff)	0.001885 c/R	0.001792 c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

Rebates on tariffs were granted as follows:

Residential -	The first R15 000 on the valuation is exempted.
Agricultural -	25% Discount on Ward 8 Agriculture Land
Pensioners -	75 % Discount on Pensioners with total household income of R10 0000 per Residential Erven
Pensioners -	25 % Discount on Pensioners with total household income of R10 001 until R15 000 per Residential Erven

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
20. GOVERNMENT GRANTS AND SUBSIDIES		
Government Grants and Subsidies - Operating	69 852 392	64 101 544
Equitable Share	56 540 000	52 340 000
Expanded Public Works Programme Integrated Grant	1 578 000	1 630 000
Local Government Financial Management Grant	1 550 000	1 550 000
Municipal Disaster Relief Grant	242 353	-
Transport, Education and Training SETA	78 010	95 855
Municipal Infrastructure Grant	654 256	705 783
Public Transport Network Grant	-	78 000
Covid-19 Relief Grant	607 420	-
Human Settlements	429 000	438 750
Libraries, Archives and Museums	-	6 949 626
Capacity Building	-	119 502
Community Development Workers	-	30 915
Western Cape Financial Management Support Grant	295 000	-
Thusong Services Centres	67 465	9 983
Municipal Service Delivery and Capacity Building Grant	7 810 888	153 130
West Coast District Municipality	-	-
Government Grants and Subsidies - Capital	63 826 554	37 751 190
Integrated National Electrification Programme Grant	5 000 000	-
Municipal Infrastructure Grant	25 602 532	20 245 217
Municipal Drought Relief Grant	-	2 024 916
Municipal Disaster Recovery Grant	12 000 324	4 246 325
Water Services Infrastructure Grant	20 351 936	6 901 295
Human Settlements	794 650	750 000
Department of Mineral Resources	-	2 500 000
Libraries, Archives and Museums	-	748 374
Western Cape Financial Management Support Grant	77 112	330 000
Thusong Services Centres	-	5 063
Total Government Grants and Subsidies	133 678 946	101 852 734
Included in above are the following grants and subsidies received:		
Unconditional	56 540 000	52 340 000
Equitable Share	56 540 000	52 340 000
Conditional	77 138 946	49 512 734
Expanded Public Works Programme Integrated Grant	1 578 000	1 630 000
Integrated National Electrification Programme Grant	5 000 000	-
Local Government Financial Management Grant	1 550 000	1 550 000
Transport, Education and Training SETA	78 010	95 855
Municipal Infrastructure Grant	26 256 788	20 951 000
Public Transport Network Grant	-	78 000
Human Settlements	1 223 650	1 188 750
Libraries, Archives and Museums	-	7 698 000
Capacity Building	-	119 502
Community Development Workers	-	30 915
Thusong Services Centres	67 465	15 046
Covid-19 Relief Grant	607 420	-
Municipal Disaster Relief Grant	242 353	-
Municipal Service Delivery and Capacity Building Grant	7 810 888	153 130
Municipal Drought Relief Grant	-	2 024 916
Municipal Disaster Recovery Grant	12 000 324	4 246 325
Water Services Infrastructure Grant	20 351 936	6 901 295
Department of Mineral Resources	-	2 500 000
Western Cape Financial Management Support Grant	372 112	330 000
Total Government Grants and Subsidies	133 678 946	101 852 734
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	56 540 000	52 340 000
Council & Executive	-	26 930
Financial Services	65 898 907	1 880 000
Corporate Services	7 903 898	7 913 357
Community Development Services	1 103 885	610 910
Infrastructure Services	2 232 256	39 081 537
Total Government Grants and Subsidies	133 678 946	101 852 734

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
20.1 <u>Equitable Share</u>		
Opening balance	-	-
Grants received	56 540 000	52 340 000
Operating	<u>(56 540 000)</u>	<u>(52 340 000)</u>
Closing Balance	<u>-</u>	<u>-</u>
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
20.2 <u>Local Government Financial Management Grant (FMG)</u>		
Opening balance	-	-
Grants received	1 550 000	1 550 000
Conditions met - Operating	<u>(1 550 000)</u>	<u>(1 550 000)</u>
Conditions still to be met	<u>-</u>	<u>-</u>
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
20.3 <u>Department of Mineral Resources</u>		
Opening balance	-	-
Grants received	5 000 000	2 500 000
Conditions met - Capital	<u>(5 000 000)</u>	<u>(2 500 000)</u>
Conditions still to be met	<u>-</u>	<u>-</u>
Upgrading of bulk electricity in the municipal area.		
20.4 <u>Municipal Infrastructure Grant (MIG)</u>		
Opening balance	-	-
Grants received	21 307 000	20 951 000
Conditions met - Operating	(654 256)	(705 783)
Conditions met - Capital	<u>(25 602 532)</u>	<u>(20 245 217)</u>
Unpaid grant	<u>(4 949 788)</u>	<u>-</u>
The Municipal Infrastructure Grant was used for capital projects relating to roads, sport and recreation and waste water infrastructure as well as salaries of the Project Management Unit (PMU).		
20.5 <u>Expanded Public Works Programme</u>		
Opening balance	-	-
Grants received	1 578 000	1 630 000
Conditions met - Operating	<u>(1 578 000)</u>	<u>(1 630 000)</u>
Conditions still to be met	<u>-</u>	<u>-</u>
The Grant was used to create jobs.		
20.6 <u>Municipal Disaster Relief National Grant</u>		
Opening balance	-	-
Grants received	477 000	-
Conditions met - Operating	<u>(242 353)</u>	<u>-</u>
Conditions still to be met	<u>234 647</u>	<u>-</u>
The grant was used for COVID-19 related expenses including personal protective equipment and sanitisers.		
20.7 <u>Water Services Infrastructure Grant</u>		
Opening balance	3 098 705	-
Grants received	45 000 000	10 000 000
Conditions met - Capital	<u>(20 351 936)</u>	<u>(6 901 295)</u>
Conditions still to be met	<u>27 746 769</u>	<u>3 098 705</u>
The Water Services Infrastructure grant was utilised to increase accessibility to water resources and upgrading of sewerage services for all residents.		

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
20.8 <u>Community Development Workers</u>		
Opening balance	(30 915)	-
Grants received	222 000	-
Conditions met - Operating	-	(30 915)
Conditions still to be met	<u>191 085</u>	<u>(30 915)</u>
The grant was used for operating expenses relating to the Community Development Workers (CDW) programme.		
20.9 <u>Libraries, Archives and Museums</u>		
Opening balance	-	-
Grants received	7 888 000	7 698 000
Conditions met - Operating	(7 810 887)	(6 949 626)
Conditions met - Capital	(77 113)	(748 374)
Conditions still to be met	<u>-</u>	<u>-</u>
The grant was used to finance library activities in the municipal area.		
20.10 <u>Western Cape Financial Management Support Grant</u>		
Opening balance	-	-
Grants received	330 000	330 000
Conditions met - Operating	(280 000)	-
Conditions met - Capital	-	(330 000)
Conditions still to be met	<u>50 000</u>	<u>-</u>
The grant was used to implement standard operating procedures (SOP's) and implementation of mSCOA.		
20.11 <u>Municipal Capacity Building Grant</u>		
Opening balance	360 194	119 696
Grants received	380 000	360 000
Conditions met - Operating	(15 000)	(119 502)
Conditions still to be met	<u>725 194</u>	<u>360 194</u>
The grant was used to assist students with academic study fees.		
20.12 <u>Municipal Service Delivery and Capacity Building Grant</u>		
Opening balance	-	153 130
Grants received	200 000	-
Conditions met - Operating	-	(153 130)
Conditions still to be met	<u>200 000</u>	<u>-</u>
The grant was used to assist Vredendal North home work hub.		
20.13 <u>Municipal Disaster Relief Provincial Grant</u>		
Opening balance	-	-
Grants received	600 000	-
Conditions met - Operating	(600 000)	-
Conditions still to be met	<u>-</u>	<u>-</u>
The grant was used to provide COVID-19 community relief through food security projects.		
20.14 <u>Thusong Services Centres</u>		
Opening balance	19 954	35 000
Grants received	120 000	-
Repaid to National Revenue Fund	(19 954)	(9 983)
Conditions met - Operating	(67 465)	(5 063)
Conditions still to be met	<u>52 535</u>	<u>19 954</u>
The grant was used for operational maintenance of Thusong centres.		

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
20.15 Human Settlements		
Opening balance	3 843 517	4 032 267
Grants received	-	1 000 000
Conditions met - Operating	(429 000)	(438 750)
Conditions met - Capital	(794 650)	(750 000)
Conditions still to be met	<u>2 619 867</u>	<u>3 843 517</u>
The grant was used to facilitate and provide basic infrastructure, top structures and basic social and economic amenities that contribute to the establishment of sustainable human settlements.		
20.16 Municipal Drought Relief Grant		
Opening balance	9 257 186	11 282 102
Grants received	-	-
Conditions met - Capital	(9 257 186)	(2 024 916)
Conditions still to be met	<u>-</u>	<u>9 257 186</u>
The grant was used for drought relief through construction of boreholes in the municipal area.		
20.17 Municipal Disaster Recovery Grant		
Opening balance	2 831 447	7 077 772
Grants received	2 800 000	-
Repaid to National Revenue Fund	(2 831 447)	-
Conditions met - Capital	(2 743 137)	(4 246 325)
Conditions still to be met	<u>56 863</u>	<u>2 831 447</u>
The grant was used for drought relief through construction of boreholes in the municipal area.		
20.18 Transport, Education and Training SETA		
Opening balance	-	-
Grants received	78 010	173 855
Conditions met - Operating	(78 010)	(173 855)
Conditions still to be met	<u>-</u>	<u>-</u>
The grant was used for training of municipal officials.		
20.19 West Coast District Municipality		
Opening balance	-	-
Grants received	50 000	-
Conditions met - Operating	(7 420)	-
Conditions still to be met	<u>42 580</u>	<u>-</u>
The grant was used for COVID-19 related marketing and procurement of personal protective equipment.		
20.20 Total Grants		
Opening balance	19 380 088	22 699 967
Grants received	144 120 010	98 532 855
Repaid to National Revenue Fund	(2 851 401)	(9 983)
Conditions met - Operating	(69 852 391)	(64 096 624)
Conditions met - Capital	(63 826 554)	(37 746 127)
Conditions still to be met/(Grant expenditure to be recovered)	<u>26 969 752</u>	<u>19 380 088</u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	31 919 540	19 411 003
Unpaid Conditional Government Grants and Receipts	(4 949 788)	(30 915)
Total	<u>26 969 752</u>	<u>19 380 088</u>
21. PUBLIC CONTRIBUTIONS AND DONATIONS		
Public Contributions	4 639 934	1 665 281
Donations	1 200	-
Total Public Contributions and Donations	<u>4 641 134</u>	<u>1 665 281</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<u>Reconciliation of public contributions:</u>		
21.1 TRONOX		
Opening balance	3 334 719	-
Contribution received	-	5 000 000
Conditions met - Capital	(3 334 719)	(1 665 281)
Balance Unspent	-	3 334 719
The contribution was used for upgrading of Koekenaap bulk water infrastructure.		
21.2 MSR		
Opening balance	-	-
Contribution received	650 000	-
Conditions met - Capital	(37 585)	-
Balance Unspent	612 415	-
The contribution was used for upgrading of Doringbay Fish Stain Facility.		
21.2 Development Bank of South Africa		
Opening balance	-	-
Contribution received	1 267 630	-
Conditions met - Operating	(1 267 630)	-
Conditions met - Capital	-	-
Balance Unspent	-	-
The contribution was used for compilation of water- and electricity master plans.		
21.3 Total Conditional Contributions		
Opening balance	3 334 719	-
Contribution received	1 917 630	5 000 000
Conditions met - Operating	(1 267 630)	-
Conditions met - Capital	(3 372 304)	(1 665 281)
Balance Unspent	612 415	3 334 719
22. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT		
Housing Development	19 620 914	31 967 743
Total Contributed Property, Plant and Equipment	19 620 914	31 967 743
23. FINES, PENALTIES AND FORFEITS		
Traffic Fines	8 281 990	16 419 440
Overdue Books	20 897	27 342
Total Fines, Penalties and Forfeits	8 302 887	16 446 782
24. LICENCES AND PERMITS		
Hoarding (Collecting/Storing)	25 738	15 648
Trading	1 787	2 763
Road and Transport	872 434	984 086
Market Porters	26 071	7 878
Total Licences and Permits	926 031	1 010 375
25. SERVICE CHARGES		
Electricity	118 273 528	108 443 275
Service Charges	118 603 257	108 973 137
Less: Revenue Forgone	(329 728)	(529 862)
Water	19 727 094	19 486 899
Service Charges	20 730 184	20 480 769
Less: Revenue Forgone	(1 003 090)	(993 870)
Waste Management	17 388 783	15 353 223
Service Charges	22 349 446	20 533 186
Less: Revenue Forgone	(4 960 663)	(5 179 963)
Waste Water Management	16 410 391	15 267 502
Service Charges	22 269 027	20 896 165
Less: Revenue Forgone	(5 858 636)	(5 628 663)
Total Service Charges	171 799 797	158 550 899

Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
26. SALES OF GOODS AND RENDERING OF SERVICES		
Advertisements	25 945	35 495
Application Fees for Town Planning	52 948	41 755
Building Plan Approval and Clause Levy	151 270	195 206
Camping Fees	2 022 111	2 198 929
Cemetery and Burial	238 798	240 632
Clearance Certificates	105 617	130 810
Development Charges	-	968 513
Encroachment Fees	14 861	13 068
Entrance Fees	35 291	64 129
Escort Fees	805	1 148
Library Fees	810	212
Management Fees	348 926	273 219
Photocopies and Faxes	20 020	22 434
Sale of Goods	73 843	77 925
Total Sales of Goods and Rendering of Services	3 091 245	4 263 475
27. RENTAL FROM FIXED ASSETS		
Investment Property	204 892	212 336
Property, Plant and Equipment	1 392 852	2 078 075
Total Rental from Fixed Assets	1 597 744	2 290 411
28. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	1 351 702	3 311 815
Other	18 104	-
Total Interest Earned - External Investments	1 369 806	3 311 815
29. INTEREST EARNED - EXCHANGE TRANSACTIONS		
Trade Receivables	3 875 351	4 900 345
Total Interest Earned - Outstanding Receivables	3 875 351	4 900 345
30. OPERATIONAL REVENUE		
Commission	110 000	-
Discounts and Early Settlements	3 261	4 214
Incidental Cash Surpluses	18 454	94 903
Unknown deposits recognised as revenue	845 551	-
Insurance Refund	44 611	80 438
Merchandising, Jobbing and Contracts	11 885	11 849
Registration Fees	484 626	552 774
Request for Information	2 481	2 479
Staff Recoveries	7 801	18 438
Total Operational Revenue	1 528 671	765 096
<u>Disclosed as follows:</u>		
Revenue from Exchange Transactions	608 991	567 102
Revenue from Non-Exchange Transactions	919 679	197 994
Total Operational Revenue	1 528 671	765 096
31. EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	102 245 036	88 106 181
Pension and UIF Contributions	16 505 005	14 317 348
Medical Aid Contributions	4 300 085	3 671 567
Overtime	7 266 116	7 525 014
Bonuses	8 404 383	7 640 955
Motor Vehicle Allowance	8 879 386	5 960 750
Cell Phone Allowance	519 974	443 391
Housing Allowances	838 377	2 020 058
Other benefits and allowances	4 688 208	4 657 556
Payments in lieu of leave	3 569 834	2 616 913
Post-retirement Benefit Obligations	1 905 091	1 647 867
Medical - Note 13	1 278 256	1 117 647
Long Service Awards - Note 13	626 835	530 220
Total Employee Related Costs	159 121 495	138 607 600
KEY MANAGEMENT PERSONNEL		

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager - Mr DP Lubbe</i>		
Basic Salary	275 730	881 204
Settlement	1 215 297	-
Pension and UIF Contributions	595	1 785
Performance Bonus	-	199 163
Motor Vehicle Allowance	101 317	380 546
Cell Phone Allowance	6 400	15 859
Other benefits and allowances	260 276	258 642
Total	1 859 615	1 737 199
<i>Remuneration of the Municipal Manager - Mr Al Hendricks (01/04/2020 - current)</i>		
Basic Salary	213 276	-
Pension and UIF Contributions	446	-
Motor Vehicle Allowance	71 250	-
Other benefits and allowances	28 528	-
Total	313 500	-
<i>Remuneration of Acting Municipal Manager - Mr LJ Phillips (02/12/2019 - 31/03/2020)</i>		
Other benefits and allowances	131 796	-
Total	131 796	-
<i>Remuneration of Acting Municipal Manager - Mr GRJ Seas (11/09/2019 - 11/10/2019)</i>		
Basic Salary	207 976	-
Pension and UIF Contributions	446	-
Motor Vehicle Allowance	89 336	-
Cell Phone Allowance	1 360	-
Other benefits and allowances	86 377	-
Total	385 495	-
<i>Remuneration of the Chief Financial Officer - Mr GRJ Seas</i>		
Basic Salary	256 995	725 531
Pension and UIF Contributions	595	1 785
Performance Bonus	174 975	163 528
Motor Vehicle Allowance	112 709	312 456
Cell Phone Allowance	5 483	13 581
Other benefits and allowances	155 531	401 643
Total	706 289	1 618 524
<i>Remuneration of the Chief Financial Officer - Mr J Booysen (06/02/2020 - 05/05/2020)</i>		
Basic Salary	172 798	-
Pension and UIF Contributions	595	-
Motor Vehicle Allowance	53 724	-
Other benefits and allowances	15 897	-
Total	243 014	-
<i>Remuneration of the Chief Financial Officer - Mr ER Alfred (04/05/2020 - current)</i>		
Basic Salary	137 125	-
Pension and UIF Contributions	297	-
Motor Vehicle Allowance	30 000	-
Other benefits and allowances	17 219	-
Total	184 641	-
<i>Remuneration of Acting Chief Financial Officer -Mrs HM Meyer (01/10/2019 - 31/12/2019)</i>		
Other benefits and allowances	19 704	-
Total	19 704	-
<i>Remuneration of Director : Corporate Services - Mr W Conradie</i>		
Basic Salary	801 348	741 021
Pension and UIF Contributions	158 048	147 153
Medical Aid Contributions	53 908	50 342
Performance Bonus	158 212	147 862
Motor Vehicle Allowance	80 711	84 277
Cell Phone Allowance	13 059	13 200
Other benefits and allowances	109 525	107 295
Total	1 374 811	1 291 150

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Remuneration of Director : Community Development Services - Mr LJ Phillips		
Basic Salary	909 484	835 424
Pension and UIF Contributions	1 785	1 785
Medical Aid Contributions	26 759	30 181
Performance Bonus	158 212	147 862
Motor Vehicle Allowance	155 988	155 257
Cell Phone Allowance	16 000	14 200
Other benefits and allowances	61 865	193 502
Total	1 330 092	1 378 211
Remuneration of Director : Infrastructure Services - Mr RW Basson		
Basic Salary	479 430	610 435
Pension and UIF Contributions	94 827	120 820
Performance Bonus	174 975	163 528
Motor Vehicle Allowance	248 916	299 137
Cell Phone Allowance	12 343	14 200
Other benefits and allowances	304 970	219 432
Total	1 315 462	1 427 552
Remuneration of Acting Director : Infrastructure Services - Mr ED Adams (01/04/2020 - 15/05/2020) & (01/06/2020 - 30/06/2020)		
Other benefits and allowances	21 794	-
Total	21 794	-

32. REMUNERATION OF COUNCILLORS

HJ van der Hoven	246 155	813 794
DD Jenner	792 432	671 447
A Sindayimba	344 331	676 299
MM Bains	789 679	167 653
NS Louw	347 918	703 000
RJ Nutt	-	95 431
WD Loff	75 728	650 037
AFK Job	344 331	650 037
P Bok	480 833	302 752
WH Nell	694 800	321 004
AW Links	655 345	302 752
J de Jongh	313 230	302 752
M Carosini	313 227	302 752
NM Ngobo	655 345	302 752
MV Cloete	133 039	302 752
XP Tshetu	461 043	369 788
CA le Fleur	198 379	-
J Hein	116 111	-
RXR Kock	201 314	-
Total Councillors' Remuneration	7 163 240	6 935 002

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Mayor	875 125	18 095	40 800	-	934 020
Deputy-Mayor	656 327	-	40 800	-	697 127
Speaker	598 345	8 000	40 800	82 343	729 488
Executive Committee Members	2 009 942	-	139 400	84 215	2 233 557
Councillors	2 143 235	-	333 834	91 979	2 569 049
Total Councillors' Remuneration	6 282 975	26 095	595 634	258 537	7 163 240

In-kind Benefits

The Mayor, Deputy-Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Mayor may utilise official Council transportation when engaged in official duties.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
33. CONTRACTED SERVICES		
Outsourced Services	7 315 856	3 061 428
Business and Advisory	1 483 362	25 240
Catering Services	155 952	178 114
Fire Services	2 501 270	-
Internal Auditors	580 750	-
Medical Services [Medical Health Services & Support]	21 744	49 665
Security Services	1 824 469	1 566 025
Traffic Fines Management	176 387	801 526
Veterinary Services	522 000	350 004
Transport Services	49 923	90 854
Consultants and Professional Services	5 336 823	5 052 012
Business and Advisory	3 002 863	3 340 666
Accounting and Auditing	531 439	922 189
Audit Committee	52 948	62 926
Business and Financial Management	1 124 592	1 311 634
Commissions and Committees	117 305	42 595
Human Resources	-	138 383
Organisational	469 774	3 800
Project Management	568 077	694 385
Quality Control	136 168	92 060
Valuer and Assessors	2 560	72 695
Infrastructure and Planning	1 309 614	854 771
Laboratory Services	556 383	640 373
Legal Cost	467 964	216 202
Contractors	1 297 127	1 529 325
Employee Wellness	30 889	54 712
Fire Protection	20 172	43 697
Maintenance of Equipment, Buildings and Facilities	1 034 642	1 324 962
Maintenance of Unspecified Assets	12 610	30 092
Management of Informal Settlements	62 052	21 662
Transportation	76 850	49 450
Stream Cleaning and Ditching	-	4 750
Total Contracted Services	13 949 805	9 642 766
34. DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	20 216 707	18 486 753
Intangible Assets	119 165	119 165
Total Depreciation and Amortisation	20 335 872	18 605 918
35. FINANCE COSTS		
Long-term Borrowings	2 671 244	2 540 300
Non-current Provisions	3 713 657	3 462 635
Non-current Employee Benefits	3 221 872	3 122 710
Payables	665 848	-
Total Finance Costs	10 272 621	9 125 645
36. BULK PURCHASES		
Electricity	102 951 916	88 879 642
Water	6 548 508	5 265 029
Total Bulk Purchases	109 500 424	94 144 671
37. TRANSFERS AND SUBSIDIES		
Operational	1 511 877	1 249 219
Monetary Allocations	1 511 877	1 249 219
Life Guards	173 526	196 000
Development Programmes	1 784	50 401
Poverty Relief	826	7 022
Tourism	1 320 740	980 760
Sport development	-	15 036
Bursaries	15 000	-
Total Transfers and Subsidies	1 511 877	1 249 219

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
38. OPERATIONAL COSTS		
Advertising, Publicity and Marketing	471 038	385 435
Assets less than the Capitalisation Threshold	22 255	7 439
Audit Fees	2 608 735	2 016 434
Bank Charges, Facility and Card Fees	663 000	697 053
Commission	1 638 687	1 910 982
Communication	949 635	1 038 814
Deeds	52 650	13 650
Entertainment	38 968	27 559
External Computer Service	2 566 071	2 891 640
Fuel	4 269 281	4 495 535
Full Time Union Representative	149 347	122 302
Hire Charges	1 926 442	1 612 838
Indigent Relief	14 455	26 642
Insurance Underwriting	1 585 227	802 814
Licences	274 583	415 016
Management Fee	370 809	273 219
Municipal Services	2 780 567	2 442 855
Printing, Publications and Books	1 263 599	1 263 381
Professional Bodies, Membership and Subscription	1 513 401	1 275 656
Registration Fees	69 693	445 301
Servitudes and Land Surveys	1 738	-
Skills Development Fund Levy	1 095 378	1 150 711
System Access and Information Fees	58 689	61 973
Transport Provided as Part of Departmental Activities	28 250	18 350
Travel and Subsistence	1 501 435	2 229 007
Uniform and Protective Clothing	1 140 058	719 220
Vehicle Tracking	124 890	134 343
Workmen's Compensation Fund	835 018	687 688
Total Operational Costs	28 013 895	27 165 858
39. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON RECEIVABLES		
Non-Current Receivables from Non-Exchange Transactions - Note 5	243 168	(663 832)
Receivables from Exchange Transactions - Note 8	(17 032 689)	(3 183 453)
Receivables from Non-exchange Transactions - Note 9	(11 009 673)	(11 748 853)
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	(27 799 193)	(15 596 138)
40. GAINS/(LOSS) ON SALE OF FIXED ASSETS		
Investment Property	1 322 520	(853 726)
Property, Plant and Equipment	(1 601 138)	(1 067 055)
Total Gains/ (Loss) on Sale of Fixed Assets	(278 619)	(1 920 781)
41. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON FIXED ASSETS		
Property, Plant and Equipment	55 571	(118 756)
Total Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets	55 571	(118 756)
42. PROFIT/(LOSS) ON FAIR VALUE ADJUSTMENTS		
Investment Property carried at fair value	(28 745 289)	21 170 200
Total Profit/ (Loss) on Fair Value Adjustments	(28 745 289)	21 170 200

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

43. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. New mSCOA Charts are issued annually, resulting into an annual reclassification of items in the financial statements. The reclassification of 2019 audited amounts can be summarised as follows:

Statement of Financial Position	Balance previously reported	Adjustments	Restated Balance
Capital Replacement Reserve	(3 405 000)	-	(3 405 000)
Accumulated Surplus	(591 493 386)	0	(591 493 386)
Long-term Borrowings	-	(22 612 432)	(22 612 432)
Borrowings	(22 612 432)	22 612 432	-
Provisions	(100 010 261)	100 010 261	-
Non-current Provisions	-	(65 592 884)	(65 592 884)
Non-current Employee Benefits	-	(34 417 377)	(34 417 377)
Current Employee Benefits	(13 992 596)	-	(13 992 596)
Payables from exchange transactions	(43 549 407)	43 549 407	-
Trade and Other Payables from Exchange Transactions	-	(43 549 407)	(43 549 407)
Unspent Transfers and Subsidies	(22 745 722)	-	(22 745 722)
Current Portion of Long-term Liabilities	-	-	-
Current Portion of Borrowings	(6 754 834)	6 754 834	-
Current Portion of Long-term Borrowings	-	(6 754 834)	(6 754 834)
Property, Plant and Equipment	643 264 012	(1)	643 264 012
Agricultural	-	-	-
Investment Property	87 882 500	-	87 882 500
Intangible Assets	491 717	-	491 717
Long-term Receivables	256 132	-	256 132
Inventories	466 772	(466 772)	-
Inventory	-	466 772	466 772
Receivables from exchange transactions	25 621 327	-	25 621 327
Receivables from non-exchange transactions	8 584 624	-	8 584 624
Unpaid Transfers and Subsidies	-	30 915	30 915
Transfers and Subsidies Receivable	30 915	(30 915)	-
Operating Lease Asset	78 536	7 643	86 179
Operating Lease Asset (current portion)	7 643	(7 643)	-
Value Added Taxation	5 686 509	(5 686 509)	-
Taxes	-	5 686 509	5 686 509
Current Portion of Long-term Receivables	768 397	-	768 397
Cash and Cash Equivalents	31 424 554	-	31 424 554
		-	-

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Performance			
Property Rates	43 225 413	-	43 225 413
Government Grants and Subsidies	103 518 015	(1 665 281)	101 852 734
Public Contributions and Donations	-	1 665 281	1 665 281
Contributed Property, Plant and Equipment	31 967 743	-	31 967 743
Actuarial Gains	601 061	-	601 061
Fines, Penalties and Forfeits	16 446 782	-	16 446 782
Service Charges	158 559 989	-	158 559 989
Sales of Goods and Rendering of Services	2 765 513	(765 096)	2 000 417
Rental of letting investment property and facilities	4 553 470	(4 553 470)	-
Rental from Fixed Assets	-	4 553 470	4 553 470
Interest earned	8 212 160	(8 212 160)	-
Interest Earned - external investments	-	3 311 815	3 311 815
Interest Earned - Exchange Transactions	-	4 900 345	4 900 345
Licences and Permits	1 010 375	-	1 010 375
Agency Services	3 368 514	-	3 368 514
Operational Revenue	-	765 096	765 096
Employee related costs	(140 477 531)	1 845 102	(138 632 429)
Remuneration of Councillors	(6 935 002)	-	(6 935 002)
Bad Debts Written Off	-	(4 500 126)	(4 500 126)
Contracted Services	(9 642 766)	-	(9 642 766)
Depreciation and Amortisation	(14 469 259)	-	(14 469 259)
Finance Costs	(5 591 909)	-	(5 591 909)
Bulk Purchases	(94 144 671)	-	(94 144 671)
Inventory Consumed	(10 012 164)	-	(10 012 164)
Transfers and Subsidies	(1 249 219)	-	(1 249 219)
Operational Costs	(25 643 609)	(4 484 455)	(30 128 064)
Debt Impairment	(18 293 389)	18 293 389	-
Reversal of Impairment Loss/(Impairment Loss) on Receivables	-	(13 793 263)	(13 793 263)
Gains/(Loss) on Sale of Fixed Assets	-	(37 227)	(37 227)
Loss on disposal of Property, Plant and Equipment	(147 001)	147 001	-
Gains on Sale Investment Property	109 774	(109 774)	-
Impairment loss on Property, Plant and Equipment	(118 756)	118 756	-
Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets	-	(118 756)	(118 756)
Fair Value Adjustments Investment Property	23 838 200	(23 838 200)	-
Profit/(Loss) on Fair Value Adjustments	-	23 838 200	23 838 200
Remeasurement of provision	(2 639 353)	2 639 353	-
Profit/(Loss) from Discontinued Operations	-	-	-
Loss on Foreign Exchange relating to purchases of Licences	(21 203)	21 203	-
Gains/(Loss) on Foreign Exchange Transactions	-	(21 203)	(21 203)
Net Surplus for the year	68 791 177	-	68 791 177

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2019
R

44. CORRECTION OF ERROR IN TERMS OF GRAP 3

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality:

44.1 Property, Plant and Equipment

Cost	815 452 566
Previously Reported	802 862 632
Correction of Landfill sites assets Cost prior to 1 July 2018	6 851 970
Correction of Landfill sites asset Cost due to provision increase 2018/2019 - Note 44.6	1 143 454
Correction of Finance Lease assets not recognised prior to 1 July 2018 - Note 2.2	439 355
Correction of Finance Lease assets not recognised in 2018/2019 - Note 2.2	701 171
Correction of Land in periods prior to 1 July 2018 - Note 2.2	7 018 026
Correction of Land disposed not recognised in 2018/2019 - Note 2.2	(11 500)
Correction of Land incorrectly transferred previously from Investment Property - Note 44.2	(3 162 500)
Correction of Buildings in periods prior to 1 July 2018 - Note 2.2	(5 403 292)
Correction of Building disposals not recognised in 2018/2019 - Note 2.2	(38 500)
Correction of Buildings incorrectly transferred from Investment Property in 2018/2019 - Note 44.2	(64 000)
Correction of Building additions incorrectly reported previously - Note 2.2	(334 428)
Correction of Community Assets in periods prior to 1 July 2018 - Note 2.2	10 621 627
Correction of Community Asset additions incorrectly reported previously - Note 2.2	(6 032)
Correction of Other Assets prior to 1 July 2018 - Note 2.2	534 822
Correction of Other Assets additions incorrectly reported previously - Note 2.2	267 233
Correction of Infrastructure Assets prior to 1 July 2018 - Note 2.2	5 100 443
Correction of Infrastructure Assets additions incorrectly reported previously - Note 2.2	(7 601 800)
Correction of Infrastructure Assets Disposals incorrectly recognised in 2018/2019 - Note 2.2	(3 088 668)
Correction of operating expenditure previously included in assets cost - Note 44.10	(377 445)
Accumulated Depreciation	(136 389 584)
Previously Reported	(159 598 620)
Correction of Landfill sites assets Accumulated Depreciation 1 July 2018 - Note 2.2	19 569 861
Correction of Landfill sites assets Depreciation recognised in 2018/2019 - Note 44.10	(2 570 688)
Correction of Finance Lease assets not recognised prior to 1 July 2018 - Note 2.2	(242 016)
Depreciation of Finance Lease assets not recognised in 2018/2019 - Note 2.2	(351 414)
Correction of Buildings in periods prior to 1 July 2018 - Note 2.2	3 266 115
Correction of Building disposals not recognised in 2018/2019 - Note 2.2	4 234
Correction of Buildings depreciation incorrectly recognised in 2018/2019 - Note 2.2	34 390
Correction of Community Assets in periods prior to 1 July 2018 - Note 2.2	605 637
Correction of Community Assets depreciation recognised in 2018/2019 - Note 2.2	171 243
Correction of Other Assets in periods prior to 1 July 2018 - Note 2.2	1 040 814
Correction of Other Assets depreciation recognised in 2018/2019 - Note 2.2	(660 598)
Correction of Other Assets disposals recognised in 2018/2019 - Note 2.2	67 312
Correction of Infrastructure Assets in periods prior to 1 July 2018 - Note 2.2	886 669
Correction of Infrastructure Assets depreciation recognised in 2018/2019 - Note 2.2	(759 591)
Correction of Infrastructure Assets disposals recognised in 2018/2019 - Note 2.2	2 147 069
Restated Balance	679 062 982

Reconstruction- and restatement of Property, plant and equipment previously recognised.

44.2 Investment Property

Balance previously reported	87 882 500
Correction of Investment Property in periods prior to 1 July 2018 - Note 3	(252 195)
Correction of Investment Property incorrectly transferred to Land and Buildings previously - Note 3	3 226 500
Correction of Fair Value Adjustment on Investment Property recognised 2018/2019 - Note 3	(2 668 000)
Correction of Investment Property disposals recognised 2018/2019 - Note 3	(963 500)
Restated Balance	87 225 305

Reconstruction- and restatement of Investment Property previously recognised.

44.3 Receivables from Exchange Transactions

Balance previously reported	25 621 327
Correction of 2018/2019 departmental charges included in debtors balances - Note 8	(15 575)
Correction of Impairment of debtors balances prior to 1 July 2018 - Note 8	(3 502 392)
Correction of Impairment of debtors balances 2018/2019 - Note 8	(1 802 876)
Restated Balance	20 300 485

Correction of VAT on Debtors impairment not previously recognised

44.4 Receivables from Non-Exchange Transactions

Balance previously reported	8 584 624
Correction of 2018/2019 departmental charges included in debtors balances - Note 9	(4 399)
Restated Balance	8 580 225

Departmental charges previously included in debtors balances

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2019 R
44.5 Long-Term Borrowings	
Balance previously reported	22 612 432
Correction of Finance Leases not previously recognised - Note 11	318 033
Recognise Finance Leases in periods prior to 1 July 2018 - Note 44.1	439 355
Finance Leases payments in periods prior to 1 July 2018 - Note 44.9	(227 861)
Correction of Finance Leases not recognised in 2018/2019 - Note 44.1	701 171
Correction of interest on Finance Leases not recognised in 2018/2019 - Note 44.10	71 101
Correction of Finance Lease payments not recognised in 2018/2019 - Note 44.10	(409 889)
Current portion of Finance lease liability not previously recognised - Note 44.8	(255 844)
Restated Balance	22 930 465
<i>Record finance leases not recognised in prior years.</i>	
44.6 Non-Current Provisions	
Balance previously reported	65 592 884
Correction of Landfill sites provision in periods prior to 1 July 2018 - Note 12.1	(23 792 557)
Correction of Landfill sites contribution recognised in 2018/2019	823 282
Reversal of Remeasurement of Provision recognised in 2018/2019 - Note 44.10	(2 639 353)
Recognise contribution to Provision for 2018/2019 - Note 12.1	3 462 635
Correction of increase in Landfill sites provision recognised in 2018/2019 - Note 44.1	1 143 454
Restated Balance	43 767 062
<i>Correction of Provision for rehabilitation of Landfill sites in terms of Grap 19.</i>	
44.7 Trade and Other Payables from Exchange Transactions	
Balance previously reported	43 549 407
Creditors invoices not recognised in 2018/2019 - Note 15	29 668
Correction of 2018/2019 departmental charges included in advance payments - Note 15	(10 884)
Restated Balance	43 568 191
<i>Correction of creditors not previously recognised and departmental charges included in advance payments</i>	
44.8 Current Portion of Long-Term Borrowings	
Balance previously reported	6 754 834
Current portion of Finance Lease liability not previously recognised - Note 11	255 844
Restated Balance	7 010 678
<i>Record current portion of finance leases not previously recognised.</i>	
44.9 Accumulated Surplus - 1 July 2018	
Correction of Landfill sites provision in periods prior to 1 July 2018 - Note 44.6	23 792 557
Correction of Landfill sites assets Cost prior to 1 July 2018 - Note 44.1	6 851 970
Correction of Landfill sites assets Accumulated Depreciation prior to 1 July 2018 - Note 44.1	19 569 861
Correction of Finance Leases in periods prior to 1 July 2018 - Note 44.5	227 861
Correction of Impairment of debtors balances prior to 1 July 2018 - Note 44.3	(3 502 392)
Leased assets Accumulated Depreciation not recognised prior to 1 July 2018 - Note 44.1	(242 016)
Correction of Land in periods prior to 1 July 2018 - Note 44.1	3 855 526
Correction of Buildings - Cost in periods prior to 1 July 2018 - Note - 44.1	(5 467 292)
Correction of Building additions incorrectly reported previously - Note 44.1	(334 428)
Correction of Community Assets - Cost in periods prior to 1 July 2018 - Note 44.1	10 621 627
Correction of Community Assets additions incorrectly reported previously - Note 44.1	(6 032)
Correction of Buildings - Accumulated Depreciation in periods prior to 1 July 2018 - Note 44.1	3 266 115
Correction of Community Assets - Accumulated Depreciation in periods prior to 1 July 2018 - Note 44.1	605 637
Correction of Other Assets - Cost in periods prior to 1 July 2018 - Note 44.1	534 822
Correction of Other Assets additions incorrectly reported previously - Note 44.1	267 233
Correction of Other Assets - Accumulated Depreciation in periods prior to 1 July 2018 - Note 44.1	1 040 814
Correction of Infrastructure Assets prior to 1 July 2018 - Note 44.1	5 100 443
Correction of Infrastructure Assets additions incorrectly reported previously - Note 44.1	(7 601 800)
Correction of Infrastructure Assets - Accumulated Depreciation in periods prior to 1 July 2018 - Note 44.1	886 669
Correction of Investment Property in periods prior to 1 July 2018 - Note 44.2	2 974 305
Total	62 441 479

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

44.10 Changes to Statement of Financial Performance

Movement on operating account as a result of the correction of errors:

	Note	Balance previously reported	Adjustments	Restated Balance
Revenue				
Property Rates		43 225 413	-	43 225 413
Surcharges and Taxes		-	-	-
Government Grants and Subsidies		101 852 734	-	101 852 734
Public Contributions and Donations		1 665 281	-	1 665 281
Contributed Property, Plant and Equipment		31 967 743	-	31 967 743
Actuarial Gains		601 061	-	601 061
Fines, Penalties and Forfeits		16 446 782	-	16 446 782
Service Charges	44.3	158 559 989	(9 090)	158 550 899
Sales of Goods and Rendering of Services	26	2 000 417	2 263 058	4 263 475
Rental from Fixed Assets	27	4 553 470	(2 263 059)	2 290 411
Interest Earned - External Investments		3 311 815	-	3 311 815
Interest Earned - Exchange Transactions		4 900 345	-	4 900 345
Licences and Permits from Exchange Transactions		1 010 375	-	1 010 375
Agency Services		3 368 514	-	3 368 514
Operational Revenue		765 096	-	765 096
Total		374 229 035	(9 090)	374 219 945
Expenditure				
Employee related costs	27	(138 632 429)	24 829	(138 607 600)
Remuneration of Councillors		(6 935 002)	-	(6 935 002)
Bad Debts Written Off		(4 500 126)	-	(4 500 126)
Contracted Services		(9 642 766)	-	(9 642 766)
Depreciation and Amortisation	44.1	(14 469 259)	(4 136 659)	(18 605 918)
Finance Costs	44.6	(5 591 909)	(3 533 736)	(9 125 645)
Bulk Purchases		(94 144 671)	-	(94 144 671)
Inventory Consumed		(10 012 164)	(344 906)	(10 357 070)
Transfers and Subsidies		(1 249 219)	-	(1 249 219)
Operational Costs	44.6 / 44.5	(30 128 064)	2 962 206	(27 165 858)
Total		(315 305 609)	(5 028 266)	(320 333 876)
Gains and Losses				
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		-	-	-
Reversal of Impairment Loss/(Impairment Loss) on Receivables	44.3	(13 793 263)	(1 802 876)	(15 596 138)
Gains/(Loss) on Sale of Fixed Assets	44.1	(37 227)	(1 883 554)	(1 920 781)
Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets		(118 756)	-	(118 756)
Profit/(Loss) on Fair Value Adjustments	44.6	23 838 200	(2 668 000)	21 170 200
Gains/(Loss) on Foreign Exchange Transactions		(21 203)	-	(21 203)
Total		9 867 751	(6 354 429)	3 513 322
Net Surplus/(Deficit) for the year		68 791 177	(11 391 786)	57 399 391

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
45. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	(12 266 625)	57 399 391
Adjustments for:		
Depreciation and Amortisation	20 335 710	18 605 918
Loss on Sale of Fixed Assets	1 842 682	2 104 554
Fair Value Adjustment	28 745 289	(21 170 200)
Impairment Loss/(Reversal of Impairment Loss)	(55 571)	118 753
Contributed Property, Plant and Equipment	(19 620 914)	(31 967 743)
Government Grants and Subsidies received	143 186 239	103 532 855
Government Grants and Subsidies recognised as revenue	(138 318 880)	(103 518 015)
Contribution to provisions – Non-Current Provisions	3 713 657	3 462 635
Contribution from/to provisions - Non-Current Employee Benefits	2 816 217	2 849 006
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	(2 737 739)	(601 061)
Contribution from/to - Current Employee Benefits	2 795 419	2 328 150
Contribution to provisions – Bad Debt	28 042 362	15 783 903
Reversal of Provision for Bad Debt	(243 169)	(187 766)
Bad Debts written off	-	4 500 126
Operating lease income accrued	85 262	1 383
Operating Surplus before changes in working capital	58 319 937	53 241 891
Changes in working capital	(6 597 144)	(25 927 677)
Increase in Trade and Other Payables	20 766 536	6 753 482
Increase in Taxes	(1 930 668)	(3 971 929)
(Increase)/Decrease in Inventory	(152 063)	228 046
Increase in Trade Receivables from Exchange Transactions	(14 569 071)	(15 762 328)
Increase in Other Receivables from Non-Exchange Transactions	(11 198 214)	(11 847 287)
(Increase)/Decrease in Repay Arrangements	486 336	(1 327 661)
Cash generated/(absorbed) by operations	51 722 793	27 314 214
46. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 10	14 286 753	29 411 445
Call Deposits and Investments - Note 10	-	2 007 489
Cash Floats - Note 10	5 620	5 620
Total cash and cash equivalents	14 292 373	31 424 554
47. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 10	14 292 373	31 424 554
Less:	(34 332 912)	(22 745 722)
Unspent Transfers and Subsidies - Note 16	(32 531 955)	(22 745 722)
VAT - Note 17	(1 800 956)	-
Net cash resources available for internal distribution	(20 040 538)	8 678 832
Allocated to:		
Capital Replacement Reserve	-	(3 405 000)
Resources available for working capital requirements	(20 040 538)	5 273 832
48. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 11	24 641 903	29 941 143
Used to finance property, plant and equipment - at cost	(24 641 903)	(29 941 143)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

49. BUDGET INFORMATION**49.1 Explanation of variances between approved and final budget amounts**

The reasons for the variances between the approved and final budgets are mainly due to COVID-19 lockdown regulations and the subsequent impact on consumer debtors, operational projects, capital projects, property sales, and fair value of properties at year end.

Explanation of variances that are material and greater than 10%: Final Budget and Actual Amounts. Variance of more than R3 000 000 is considered material.

49.2 Statement of Financial Position**49.2.1 Current Assets**

Cash

Increase in cash levels at year-end due to limited expenditure incurred during national lockdown.

Consumer Debtors

Due to the increase in Debt impairment.

Other Debtors

Increase in Taxes as a result of increase in VAT in suspense due to non-payment of creditors and increase in vat portion of debt impairment.

49.2.2 Non-Current Assets

Investment Property

Downward adjustment in fair value of Investment Properties which could not predicted.

49.2.3 Current Liabilities

Borrowing

Finance leases not previously recognised and increase in short term portion of annuity loans.

Trade and Other Payables

Inability to pay creditors due to low levels of cash available.

Provisions

No current portion recognised for provision for landfill sites after recalculation of the provision in terms of GRAP 19.

49.2.4 Non-Current Liabilities

Provisions

Decrease in provision for landfill sites due to recalculation of the provision in terms of GRAP 19.

49.2.5 Net Assets

Accumulated Surplus/(Deficit)

Cumulative impact of all of the variances above.

Statement of Financial Performance**49.2.6 Revenue**

Service Charges - Electricity Revenue

Decrease in electricity usage by high volume customers, mainly due to lockdown regulations implemented in the Municipality's high usage season.

Fines

The agreement with service provider Traffic Management Technologies, was not renewed. The municipality was unable to generate its own camera speed fines without the equipment of the service provider.

Other Revenue

Included in the budget amount, is a increase fair value adjustment of R8 500 000, which did not realise as the fair value of Investment Property on 30 June 2020 was adjusted downward by R23 745 289, based on latest market related values.

Gains on Disposal of PPE

The sale of municipal houses that were put out on tender could not be finalised at year-end due to national lockdown.

Transfers Recognised - Capital

Capital projects could not be completed by year-end due to the national lockdown. Also includes Human Settlements contributed assets.

Contributed Property, Plant and Equipment

Contributed assets received from Human Settlements, was included in Capital transfers recognised budget. Assessment of the principal-agent arrangement in terms of Grap 109 however, indicates the correct recognition of infrastructure assets as Contributed Property, Plant and Equipment.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

49.2.7 Expenditure

Debt Impairment

Increase in non-payment of debtors balances due to national lockdown.

Depreciation and Asset Impairment

Reconstruction of Property, Plant and Equipment and reassessment of Landfill sites in terms of Grap 19.

Other Materials

Materials expenditure to repair roads and operational buildings, could not be completed due to national lockdown.

Contracted Services

Consultants and contractors could not be utilised due to national lockdown.

Other Expenditure

Mainly due to downward adjustment of fair value of Investment Property on 30 June 2020 and maintenance which could not be performed due to national lockdown.

Cash Flow Statement

49.2.8 Net Cash from Operating Activities

Taxation

Decrease in consumers ability to pay outstanding balances due to national lockdown implemented.

Service Charges

Decrease in consumers ability to pay outstanding balances due to national lockdown implemented as well as increase indigent relief provided.

Government - Capital

Spending on capital projects was delayed due to the national lockdown.

Interest

Decrease in interest generated mainly due lower levels of cash available for short-term investment.

Dividends

Document reasons

Suppliers and Employees

Inability to pay creditors due to low levels of cash available.

49.2.9 Net Cash from Investing Activities

Proceeds on disposal of PPE

The sale of municipal houses that were put out on tender could not be finalised at year-end due to national lockdown.

Capital Assets

Decrease in payments towards capital projects due to delays caused by the national lockdown.

50. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

2020
R2019
R

50.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance

-

-

Unauthorised expenditure current year - operational

-

-

Unauthorised expenditure current year - capital

-

-

Approved by Council or condoned

-

-

Unauthorised expenditure awaiting authorisation

-

-

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Spending of the Budget per municipal vote can be summarised as follows:

	2020 Actual R	2020 Final Budget R	2020 Variance R	2020 Unauthorised R
<u>Unauthorised expenditure current year - operating</u>				
Council & Executive	22 076 729	23 935 389	(1 858 660)	-
Financial Services	49 865 670	50 016 708	(151 037)	-
Corporate Services	27 365 362	27 628 670	(263 309)	-
Community Development Services	74 107 803	75 203 617	(1 095 814)	-
Infrastructure Services	218 106 159	218 823 218	(717 059)	-
	391 521 723	395 607 601	(4 085 878)	-
<u>Unauthorised expenditure current year - capital</u>				
Council & Executive	114 485	217 050	(102 565)	-
Financial Services	585 132	585 430	(298)	-
Corporate Services	105 380	159 414	(54 033)	-
Community Development Services	1 016 754	20 147 146	(19 130 393)	-
Infrastructure Services	61 735 633	100 082 214	(38 346 580)	-
	63 557 384	121 191 254	(57 633 869)	-
			2020 R	2019 R

50.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

50.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	77 450 675	-
Irregular expenditure identified in the current year relating to the prior year	8 276 066	25 755 924
Restated opening balance	85 726 741	25 755 924
Irregular expenditure current year	91 895 627	51 694 751
Expenditure authorised i.t.o. Section 32 of MFMA	-	-
Condonement supported by council	-	-
Irregular expenditure awaiting further action	177 622 368	77 450 675

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
<i>Bid Adjudication Committee not constituted in terms of SCM Reg 29(2)</i>	<i>None</i>	93 714 433	37 808 500
<i>Open ended contract awarded without following a competitive bidding process</i>	<i>None</i>	59 519 257	38 437 521
<i>Incorrect interpretation and application of SCM Reg 32</i>	<i>None</i>	23 987 852	945 947
<i>Operating expenditure incurred contrary to legislative SCM requirements</i>	<i>None</i>	400 826	258 707
		177 622 368	77 450 675

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

51. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

51.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)

Opening balance	-	-
Council subscriptions	1 487 388	1 197 549
Amount paid - current year	(1 487 388)	(1 197 549)
Balance unpaid	-	-

51.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	-	-
Current year audit fee	2 608 735	2 016 434
Amount paid - current year	(2 608 735)	(2 016 434)
Balance unpaid	-	-

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
51.3 VAT - [MFMA 125 (1)(c)]		
VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.		
51.4 PAYE and UIF - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions	25 083 752	21 489 856
Amount paid - current year	(25 083 752)	(21 489 856)
Balance unpaid (included in creditors)	-	-
51.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	21 793 787	18 890 798
Amount paid - current year	(21 793 787)	(18 890 798)
Balance unpaid (included in creditors)	-	-

51.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 June 2020:

	Outstanding more than 90 days
PG Bok	436
AFK Job	880
RXR Kock	4 295
C la Fleur	4

51.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b).

30 June 2020

	Amount	Single Supplier	Impossible	Impractical	Emergency
July	724 917	-	-	565 198	159 719
August	395 508	-	-	264 659	130 849
September	8 258 090	-	-	8 094 754	163 335
October	6 208 883	-	-	6 024 608	184 275
November	4 770 658	-	-	4 575 641	195 017
December	434 923	-	-	305 780	129 142
January	845 306	-	-	484 821	360 485
February	473 586	-	-	315 713	157 873
March	710 837	-	-	321 236	389 602
April	540 775	-	-	21 400	519 375
May	3 939 404	-	-	3 569 541	369 863
June	784 694	-	-	784 694	-
	28 087 581	-	-	25 328 045	2 759 535

30 June 2019

	Amount	Single Supplier	Impossible	Impractical	Emergency
July	5 700 431	-	-	1 321 218	4 379 213
August	1 720 657	-	-	1 159 237	561 420
September	2 482 485	-	-	1 618 755	863 730
October	1 974 088	-	-	1 471 812	502 276
November	281 255	-	-	129 289	151 966
December	6 150 634	-	-	6 125 919	24 715
January	1 165 699	-	-	1 029 948	135 751
February	21 294 722	-	-	21 267 772	26 950
March	149 800	-	-	113 043	36 757
April	1 107 953	-	-	1 029 948	78 005
May	1 381 914	-	-	1 303 756	78 158
June	3 936 125	-	-	1 217 747	2 718 378
	47 345 763	-	-	37 788 444	9 557 319

	2020 R	2019 R
51.8 Material losses		
Electricity distribution losses		
Units purchased (Kwh)	80 183 633	80 119 105
Units lost during distribution (Kwh)	11 157 350	10 612 982
Percentage lost during distribution	13.91%	13.25%

Distribution losses are largely due to internal usage (street lighting etc. which are not metered) and electricity theft on pre-paid meters. Fines were issued for first time offenders.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Water distribution losses		
Units purchased (ml)	3 613 472	3 156 476
Units lost during distribution (ml)	595 998	145 378
Percentage lost during distribution	16.49%	4.61%
Distribution loss (Rand Value)		

Normal pipe bursts and field leakages are responsible for water losses.

52. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality procured goods and services denominated in a foreign currency but the Rand value was determined at the time of procurement and the risk was low at the time of payment. It was for the payment of Microsoft licences and the supplier was the only provider of the product.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

1% (2019: 1%) Increase in interest rates	(103 551)	14 778
1% (2019: 1%) Decrease in interest rates	103 551	(14 778)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 8 and 9 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 5 for balances included in receivables that were re-negotiated for the period under review.

	2020 %	2020 R	2019 %	2019 R
<u>Non-Current Receivables</u>				
Repay Arrangements	100.00%	1 562 724	100.00%	2 049 060
<u>Non-exchange Receivables</u>				
Rates	32.88%	17 974 548	29.90%	13 074 665
Fines	67.12%	36 699 031	70.10%	30 656 619
	100.00%	54 673 579	100.00%	43 731 284

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Exchange Receivables

Electricity	13.71%	11 751 349	13.81%	9 550 287
Water	18.19%	15 586 284	17.29%	11 958 398
Waste Management	21.28%	18 238 268	18.92%	13 083 694
Waste Water Management	19.95%	17 100 458	17.35%	12 000 914
Other	26.87%	23 024 635	32.63%	22 567 687
	100.00%	85 700 994	100.00%	69 160 981

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 8 and 9 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2020 %	2020 R	2019 %	2019 R
<u>Non-Current Receivables</u>				
Repay Arrangements	0.68%	781 362	1.20%	1 024 531
<u>Non-exchange Receivables</u>				
Rates	10.57%	12 197 566	10.44%	8 938 024
Fines	29.92%	34 513 986	31.27%	26 763 856
<u>Exchange Receivables</u>				
Services	58.83%	67 864 127	57.09%	48 860 496
	100.00%	115 357 041	100.00%	85 586 907

The provision for bad debts could be allocated between the different categories of receivables as follow:

	2020 %	2020 R	2019 %	2019 R
Government	2.01%	2 319 777	2.50%	2 138 999
Industrial	2.11%	2 435 107	1.47%	1 258 160
Residential	90.60%	104 514 044	93.83%	80 302 906
Indigents	5.28%	6 088 113	2.20%	1 886 841
	100.00%	115 357 041	100.00%	85 586 906

Ageing of amounts past due but not impaired are as follow:

2020

1 month past due	3 889 814	1 375 906
2+ months past due	4 629 402	1 417 317
	8 519 216	2 793 223

2019

1 month past due	3 920 658	792 919
2+ months past due	4 132 931	893 140
	8 053 589	1 686 059

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for investments are all listed on the JSE (ABSA Bank Limited). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2020 R	2019 R
Financial assets exposed to credit risk at year end are as follows:		
Non-Current Receivables from Non-Exchange Transactions	390 681	768 397
Receivables from exchange transactions	17 836 867	20 300 485
Receivables from non-exchange transactions	8 768 767	8 580 225
Cash and Cash Equivalents	14 286 753	31 418 934
	41 283 068	61 068 041

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2020				
Long-term Liabilities	8 498 637	15 466 927	6 806 424	-
Trade and Other Payables	64 334 728	-	-	-
	<u>72 833 365</u>	<u>15 466 927</u>	<u>6 806 424</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2019				
Long-term Liabilities	9 689 075	21 227 579	10 028 155	-
Trade and Other Payables	43 568 191	-	-	-
	<u>53 257 266</u>	<u>21 227 579</u>	<u>10 028 155</u>	<u>-</u>

53. FINANCIAL INSTRUMENTS

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

53.1 Financial Assets

Classification

		2020 R	2019 R
Non-Current Receivables			
Receivables with repayment arrangements	Financial Instruments at amortised cost	1 562 724	2 049 060
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	11 751 349	9 550 287
Water	Financial Instruments at amortised cost	15 586 284	11 958 398
Waste Management	Financial Instruments at amortised cost	18 238 268	13 083 694
Waste Water Management	Financial Instruments at amortised cost	17 100 458	12 000 914
Other Arrears	Financial Instruments at amortised cost	23 024 635	20 826 680
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	14 286 753	29 411 445
Call Deposits	Financial Instruments at amortised cost	-	2 007 489
Total Financial Assets		<u>101 550 472</u>	<u>100 887 968</u>

SUMMARY OF FINANCIAL ASSETS

Financial Instruments at amortised cost:

Long-term Receivables	Receivables with repayment arrangements	1 562 724	2 049 060
Receivables from Exchange Transactions	Electricity	11 751 349	9 550 287
Receivables from Exchange Transactions	Water	15 586 284	11 958 398
Receivables from Exchange Transactions	Waste Management	18 238 268	13 083 694
Receivables from Exchange Transactions	Waste Water Management	17 100 458	12 000 914
Receivables from Exchange Transactions	Other Arrears	23 024 635	20 826 680
Cash and Cash Equivalents	Bank Balances	14 286 753	29 411 445
Cash and Cash Equivalents	Call Deposits	-	2 007 489
Total Financial Assets		<u>101 550 472</u>	<u>100 887 968</u>

53.2 Financial Liabilities

Classification

Long-term Liabilities

Annuity Loans	Financial Instruments at amortised cost	24 323 870	29 367 266
Capitalised Lease Liability	Financial Instruments at amortised cost	318 033	573 877

Trade and Other Payables

Trade Payables	Financial Instruments at amortised cost	46 962 865	34 227 540
Advance Payments	Financial Instruments at amortised cost	2 933 722	4 880 572
Other Payables	Financial Instruments at amortised cost	11 574 236	2 964 625
Retentions	Financial Instruments at amortised cost	2 863 905	1 495 454
		<u>88 976 631</u>	<u>73 509 335</u>

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
SUMMARY OF FINANCIAL LIABILITIES			
Financial instruments at amortised cost:			
Long-term Liabilities	Annuity Loans	24 323 870	29 367 266
Long-term Liabilities	Capitalised Lease Liability	318 033	573 877
Trade and Other Payables	Trade Payables	46 962 865	34 227 540
Trade and Other Payables	Advance Payments	2 933 722	4 880 572
Trade and Other Payables	Other Payables	11 574 236	2 964 625
Trade and Other Payables	Retentions	2 863 905	1 495 454
		88 976 631	73 509 335
<hr/>			
54. STATUTORY RECEIVABLES			
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:			
Taxes			
VAT Receivable		-	2 571 740
Receivables from Non-Exchange Transactions			
Rates		54 673 579	43 731 284
Fines		17 974 548	13 074 665
		36 699 031	30 656 619
Total Statutory Receivables (before provision)			
		54 673 579	46 303 024
Less: Provision for Debt Impairment		(46 711 552)	(35 701 879)
Total Statutory Receivables (after provision)			
		7 962 027	10 601 145
<hr/>			
Statutory Receivables arises from the following legislation:			
Taxes	- Value Added Tax Act (No 89 of 1991)		
Rates	- Municipal Properties Rates Act (No 6 of 2004)		
Fines	- Criminal Procedures Act		
Statutory receivables are initially measured at transaction value, and subsequently at cost.			
<u>(Rates & Fines): Ageing</u>			
Current (0 - 30 days)		3 789 707	3 495 100
31 - 60 Days		2 007 794	1 886 533
61 - 90 Days		1 104 351	1 345 235
+ 90 Days		47 771 726	37 004 416
Total			
		54 673 579	43 731 284
<hr/>			
<u>Reconciliation of Provision for Debt Impairment</u>			
Balance at beginning of year		35 701 879	23 953 026
Contribution to provision		11 009 673	11 748 853
Reversal of provision		-	-
Balance at end of year			
		46 711 552	35 701 879
<hr/>			
55. IN-KIND DONATIONS AND ASSISTANCE			
The municipality did not receive any in-kind donations or assistance during the year under review.			
56. PRIVATE PUBLIC PARTNERSHIPS			
Council has not entered into any private public partnerships during the financial year.			
57. CONTINGENT LIABILITY			
The municipality is currently engaged in litigation with the previous strategic advisor to the executive. The probability of success of the claimant is very low as the claimant Mr P Rautenbach was already unsuccessful at the Commissioner of the Bargaining Council. The amount of possible financial exposure cannot be determined.			
The municipality is currently engaged in a civil claim for damages by Marihen Auto Electrical CC due to a accident between the plaintiff and a municipal vehicle . Possible financial exposure for the Municipality amounts to R62,976.			

MATZIKAMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

					2020 R	2019 R
58. RELATED PARTIES						
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers and/or residents.						
58.1 Related Party Transactions						
	Rates	Service Charges	Other	Interest	Outstanding Balance	Provision for Debt Impairment
Year ended 30 June 2020						
Councillors						
Sindaymba A	6 590	24 943	-	-	2 443	302
Job AFK	5 326	13 336	-	33	3 672	874
Links AW	2 116	6 181	-	19	1 413	175
Le Fleur CA	2 995	3 030	-	-	378	50
Jenner DD	990	5 806	3 512	-	1 039	128
van der Hoven HJ	8 145	4 319	-	-	1 332	165
de Jongh J	966	5 524	-	10	534	66
Carosini M	4 563	28 350	-	-	3 782	468
Bains MM	1 909	7 862	-	26	1 031	127
Cloete MV	-	1 223	-	-	1 517	765
Ngobo NM	-	4 189	-	3	379	47
Louw NS	13 391	9 539	-	17	4 731	585
Bok PG	1 645	19 012	-	261	5 093	630
Kock RXR	14	723	-	29	4 850	4 178
Loff WD	2 027	6 834	620	-	861	106
Nell WH	4 190	24 581	-	86	4 301	532
Tshetu XP	-	4 545	-	-	379	47
	54 867	169 999	4 132	483	37 735	9 245
Municipal Manager and Section 57 Employees						
Lubbe DP	-	8 129	-	-	830	103
Seas GRJ	3 316	3 747	100	-	1 754	217
Phillips LJ	12 929	40 865	410	-	9 614	1 189
Basson RW	7 102	6 364	67	-	1 484	184
Conradie W	7 267	9 995	64	-	3 838	475
	30 614	69 100	641	-	17 519	2 166
	Rates	Service Charges	Other	Interest	Outstanding Balance	Provision for Debt Impairment
Year ended 30 June 2019						
Councillors						
Sindaymba A	6 264	28 392	-	-	2 205	101
Job AFK	5 063	17 607	236	774	2 765	127
Links AW	2 012	6 259	-	6	643	29
Le Fleur CA	-	-	-	-	-	25
Jenner DD	941	6 265	3 512	-	736	34
van der Hoven HJ	11 613	7 397	-	-	840	39
de Jongh J	918	5 114	-	4	485	22
Carosini M	4 337	27 718	-	61	2 340	107
Bains MM	1 815	6 701	-	18	662	30
Cloete MV	-	3 584	-	-	202	9
Ngobo NM	-	-	-	-	-	-
Louw NS	12 729	6 843	-	-	1 019	47
Bok P	1 564	17 444	-	751	7 675	802
Nutt RJ	186	1 179	-	6	-	-
Kock RXR	-	-	-	-	3 250	2 518
Loff WD	1 927	5 405	10 612	9	877	40
Nell WH	3 983	24 070	-	-	2 059	95
Tshetu XP	-	4 283	-	-	(146)	-
	53 352	168 262	14 360	1 628	25 611	4 026
Municipal Manager and Section 57 Employees						
Lubbe DP	-	28 145	-	-	407	19
Seas GRJ	3 152	8 102	-	121	2 910	2 268
Phillips LJ	12 290	32 189	-	487	1 818	83
Basson RW	9 001	7 159	-	31	1 295	59
Conradie W	7 353	18 047	-	1	9 321	428
	31 796	93 642	-	639	15 751	2 857

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

Related party relationship

Councilors and management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

58.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

58.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 30 to the Annual Financial Statements.

58.4 Current Employee Benefits

The Municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2020:

Name	Position	Staff Leave Obligations	Staff Bonus Obligations	Travel and Subsistence paid
D Lubbe	Municipal Manager	-	-	63 795
GRJ Seas	Chief Financial Officer	-	-	34 098
RW Basson	Head: Technical Services	-	-	51 746
W Conradie	Head: Corporate Services	100 765	-	11 547
L Phillips	Head: Community Development Services	193 619	-	49 614
		294 383	-	210 800

The Municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2019:

Name	Position	Staff Leave Obligations	Staff Bonus Obligations	Travel and Subsistence paid
D Lubbe	Municipal Manager	119 872	-	171 676
GRJ Seas	Chief Financial Officer	-	-	12 086
RW Basson	Head: Technical Services	75 886	-	86 197
W Conradie	Head: Corporate Services	80 640	-	14 786
L Phillips	Head: Corporate Services	99 328	-	103 047
		375 725	-	387 792

2020
R

2019
R

58.5 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

Company Name	Related Party	Service Capacity	Relationship		
Meyer Kabinette	H Meyer	Manager SCM	Husband	-	78 390
K & M Bakery & Catering	W Skippers	Foreman	Mother	3 600	34 930
Titanic	W Skippers	Foreman	Father	13 054	30 984
Sunfox	A Michinon	Senior Clerk / Cashier	Daughter	18 284	13 129
PR Civils	M Koopman	General Assistant	Husband	18 202 223	7 516 451
BFI Traders and Services N7	J Ovis	Manager Community Services	Father	24 870	18 244
BFI Traders and Services N7	C Ovis	Public Participation clerk	Father		
				18 262 031	7 692 128

59. PRINCIPAL - AGENT ARRANGEMENTS**59.1 Principal in other Principal-Agent Arrangements (non-material)**

Matzikama Municipality is the Principal in arrangements with various service providers who sell prepaid electricity on their behalf. Prepaid vendors earn commission on the value of each transaction.

The following information is disclosed in aggregate as per GRAP 109 par 61.

Compensation paid for agency activities

Commission - Note 37	1 638 687	1 910 982
Total Compensation	1 638 687	1 910 982

59.2 Agent in arrangement

Matzikama Municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Agency Fees income in the Statement of Financial Performance. The amounts due to the Provincial Department at year end is included in the balances reported as Trade and Other Payables from Exchange Transactions in the Statement of Financial Position.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The municipality does not incur any expenses on behalf of the Provincial Department. No significant risks are noted to arise from the arrangement as the municipality merely collects monies on behalf of the department as part of its existing service offering at the traffic department and municipal cashier collection points. No resources are held on behalf of the Provincial Department (other than the receipts).

Matzikama Municipality is the Agent in the Principal-Agent arrangement with the Department of Human Settlements and the beneficiaries of the developed low-cost housing. The municipality benefits from the arrangement through contributed Infrastructure assets developed as part of the housing development. Certificates of completion are issued to the municipality by the consulting engineers when pre-determined milestones are achieved. The Department of Human Settlements then pays the funds into the municipality's account, whereafter the funds are redistributed to the contractor. Income received is recognised as Contributed Property, Plant and Equipment income in the Statement of Financial Performance when the housing project is complete. No other revenue is received or expenditure is incurred in terms of this arrangement.

In determining whether the municipality is the agent or if not, by default the principal, in the arrangement is evaluated in terms of the specific criteria set out in GRAP 109. The municipality does not have the power to determine significant terms and conditions of the transaction, does not have the ability to use all, or substantially all of the resources resulting from the transaction for its own benefit and is not exposed to variability in the result of the transaction.

No resources are held on behalf of the Department of Human Settlements.

Matzikama Municipality is also the Agent in the Principal-Agent arrangements with various third parties for authorised salary deductions from officials. The municipality receives commission on the total funds deducted on a monthly basis. The amount received is recorded as Operational Revenue in the Statement of Financial Performance.

	2020 R	2019 R
Compensation received for agency activities		
Agency Fees	2 984 557	3 368 514
Contributed Property, Plant and Equipment	19 620 914	31 967 743
Commission	110 000	90 816
Total Compensation received	22 715 471	35 427 073

Matzikama Municipality received 12% commission from the Provincial Department of Transport for acting as an agent on their behalf during the financial year.

Reconciliation of Agency Funds and Disbursements

Principal name	Total Agency funds received	Amount remitted to the principal	Variance between amounts received and amounts remitted
Provincial Department of Transport	2 984 557	2 984 557	None
Department of Human Settlements	19 620 914	19 620 914	None
Avbob	46 060	46 060	None
Letsasi Finance	15 206	15 206	None
Metropolitan	26 839	26 839	None
Old Mutual	21 895	21 895	None
	22 715 471	22 715 471	

60. FINANCIAL SUSTAINABILITY

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several towns coupled with the social-economic profile (high unemployment rate) of the local communities resulted in a serious risk for Matzikama Municipality's going concern.

Unless sustainable job creation is achieved, Matzikama Municipality will not be able to function as a going concern without Government Grants and Subsidies.

The municipality is experiencing difficulty to settle its current liabilities as its net current asset position is insufficient. The current liabilities exceeds the current assets by R65 919 557 (2019: R20 051 688).

Tabled funded budget for 2020/2021 was approved.

COVID-19 - Background

The coronavirus outbreak has been international news since December 2019, but the South African National Institute for Communicable Diseases only confirmed the first positive case of COVID-19 in South Africa on 5 March 2020. On the 23rd of March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30 March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

COVID-19 - Impact on Municipality

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community. As far as possible the Municipality factored in the effect of the lockdown regulations on our economic environment. At this stage, it is still uncertain how long the pandemic will remain or how long the economy will take to recover from the lockdown levels.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The Municipality assessed the impact of the COVID-19 pandemic by comparing the financial indicators of 2018/2019 and 2019/2020 as illustrated below. The results are not solely due to the effect of COVID-19 and subsequent lockdown regulations, but are significantly impacted by the pandemic.

	2020	2019
Cash available for working capital requirement (Rand)	(13 289 794)	5 304 747
Current Ratio (norm - 2:1)	0.45 : 1	0.77 : 1
Creditors days (norm - 30 days or less)	107 days	88 days
Debtors collection rate (norm - 95% or more)	86%	94%
Debt impairment ratio (norm - 95% or more)	81%	74%

When analysing the results of the ratios, it can be concluded that the COVID-19 pandemic had an adverse effect from a financial sustainability perspective. The results are not solely due to the effects of COVID-19 and subsequent lockdown regulations, but has been significantly impacted by the pandemic.

In spite of all the aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis as the municipality can continue in operational existence for the foreseeable future.

COVID-19 - Response Expenditure

There is no prior year information available regarding expenditure in lieu of Covid-19. The summary below indicates the total Covid-19 response expenditure for the period ending 30 June 2020.

Type of expenditure	2020 R	2019 R
Personal Protective Equipment	497 248	-
Public awareness and advertising	61 814	-
Screening and Testing	48 970	-
Sanitiser and Equipment	106 900	-
Food parcels	626 871	-
COVID-19 related travel	15 189	-
Poverty relief	2 096	-
Quarantine facilities	1 147	-
Transportation	7 600	-
	1 367 835	-

The Covid-19 response expenditure was funded from the following sources:

Own Revenue	516 862	-
Public donations	1 200	-
Grant Funding - WCDM	7 420	-
Grant Funding - National Government	242 353	-
Grant Funding - Provincial Government	600 000	-
	1 367 835	-

61. EVENTS AFTER REPORTING PERIOD

Council approved a bank overdraft facility of R 10 000 000, effective from 1 July 2020 in terms of Section 45 (1)(a) of the MFMA.

Mr AL Hendricks was appointed as Municipal Manager on a fixed-term contract from 1 July 2020.

Mr ER Alfred was appointed as Chief Financial Officer on a fixed-term contract from 1 August 2020.

Mr M Owies was appointed as Director Infrastructure Services on a fixed-term contract from 1 August 2020.

Director Corporate Services, Mr W Conradie, went on early retirement from 1 August 2020.

Councillor DD Jenner resigned as Deputy Mayor on 4 August 2020 and Councillor CA la Fleur was elected as Deputy Mayor on 13 August 2020. Councillor EJ Jenner replaced Councillor DD Jenner on 5 August 2020.

Councillor WH Nell was removed as Speaker on 28 July 2020 and was replaced by Councillor PG Bok. Councillor PG Bok resigned as MPAC Chairperson on 28 July 2020.

The Special Investigating Unit (SIU) executed a search and seizure warrant on 30 July 2020 relating to the procurement of Personal Protective Equipment by the Municipality during the 2019/2020 financial year.

Within the municipal space, the effects of COVID-19 is likely to be a current period event which will require ongoing evaluation to determine the extent to which developments after the reporting date, should be recognised in the current reporting period. Council has approved our revised budget for 2020/21 which includes various concessions in order to further mitigate the economic impact of the virus on our communities.

62. ADDITIONAL DISCLOSURES IN TERMS OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

APPENDIX A
MATZIKAMA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2019	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2020
ANNUITY LOANS								
DBSA	11.14%	103749	2020	3 592 005	-	-	(2 328 819)	1 263 186
DBSA	8.57%	WC12007362.1	2021	8 839 288	-	-	(695 119)	8 144 169
DBSA	8.57%	WC12007362.2	2031	496 335	-	-	(166 069)	330 266
DBSA	8.82%	12007652	2022 / 2027	6 788 352	-	-	(191 465)	6 596 887
Standard Bank Loan	10.08%	514952	2024	9 651 286	-	-	(1 661 924)	7 989 362
Total Annuity Loans				29 367 266	-	-	(5 043 396)	24 323 870
LEASE LIABILITY								
Nashua - MP201SPFH1	10.50%	Various	2019	-	1 963	-	(1 963)	-
Nashua - MPC2011SPGYB	10.50%	Various	2019	-	3 947	-	(3 947)	-
Nashua - MPC2011SP	10.50%	Various	2019	-	5 921	-	(5 921)	-
Bytes Document Solutions	10.50%	Various	2021	-	241 563	-	(109 710)	131 853
Nashua - MP2501SPFH1	10.50%	Various	2021	-	81 907	-	(37 200)	44 707
Nashua - MPC2004EXSP	10.50%	Various	2021	-	77 294	-	(35 104)	42 190
EDK Besigheidsmasjiene	10.50%	Various	2021	-	107 921	-	(49 014)	58 907
Nashua - CCTV System	10.75%	Various	2023	-	53 361	-	(12 985)	40 376
Total Lease Liabilities				-	573 877	-	(255 844)	318 033
TOTAL EXTERNAL LOANS				29 367 266	573 877	-	(5 299 240)	24 641 903

APPENDIX B
MATZIKAMA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R		2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R
			Governance and Administration			
26 930	(15 864 441)	(15 837 511)	Executive and Council	2 737 739	(22 076 729)	(19 338 990)
170 663 166	(65 049 513)	105 613 653	Finance and Administration	153 825 038	(70 269 354)	83 555 684
			Community and Public Safety			
6 813 943	(18 256 235)	(11 442 293)	Community and Social Services	9 007 116	(24 910 045)	(15 902 929)
2 272 160	(7 057 753)	(4 785 593)	Sport and Recreation	2 085 173	(9 908 266)	(7 823 093)
21 324 803	(25 513 698)	(4 188 895)	Public Safety	8 282 820	(26 271 168)	(17 988 348)
526 624	(1 707 170)	(1 180 546)	Housing	415 922	(7 395 716)	(6 979 794)
-	-	-	Health	-	-	-
			Economic and Environmental Services			
2 079 685	(9 273 593)	(7 193 908)	Planning and Development	3 578 921	(8 318 921)	(4 740 000)
34 395 687	(27 593 479)	6 802 208	Road Transport	6 608 289	(24 994 704)	(18 386 415)
-	-	-	Environmental Protection	-	-	-
			Trading Services			
108 982 227	(105 103 094)	3 879 132	Energy Sources	118 273 528	(119 313 371)	(1 039 842)
19 486 899	(21 584 937)	(2 098 038)	Water Management	40 615 639	(30 304 019)	10 311 620
16 236 015	(13 416 645)	2 819 371	Waste Water Management	16 410 391	(17 293 154)	(882 763)
15 368 871	(28 697 347)	(13 328 476)	Waste Management	17 414 521	(28 430 801)	(11 016 279)
-	(1 659 712)	(1 659 712)	Other	-	(2 035 475)	(2 035 475)
398 177 009	(340 777 618)	57 399 391	Sub Total	379 255 098	(391 521 723)	(12 266 625)
-	-	-	Less Inter-Departmental Charges	-	-	-
398 177 009	(340 777 618)	57 399 391	Total	379 255 098	(391 521 723)	(12 266 625)

APPENDIX C
MATZIKAMA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020
MUNICIPAL VOTES CLASSIFICATIONS

2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R		2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R
			Vote 1 - Council & Executive			
-	(10 124 653)	(10 124 653)	1.1 - Council	2 737 739	(10 452 394)	(7 714 655)
-	(2 084 826)	(2 084 826)	1.2 - Office of the Municipal Manager	-	(3 107 445)	(3 107 445)
-	(260 084)	(260 084)	1.3 - Internal Audit	-	(633 698)	(633 698)
-	-	-	1.4 - IDP	-	-	-
-	(62 836)	(62 836)	1.5 - Communication	-	(42 849)	(42 849)
26 930	(2 736 485)	(2 709 555)	1.6 - Risk- & Performance Management	-	(5 590 960)	(5 590 960)
-	(595 558)	(595 558)	1.7 - Political Office Bearers	-	(2 249 384)	(2 249 384)
			Vote 2 - Financial Services			
69 691 735	(10 630 374)	59 061 361	2.1 - Financial Management (BTO)	41 698 951	(12 132 627)	29 566 324
88 264 210	(24 851 109)	63 413 101	2.2 - Income	111 697 792	(23 974 362)	87 723 430
-	(7 414 120)	(7 414 120)	2.3 - Expenditure	230 900	(10 981 010)	(10 750 110)
77 925	(15 878)	62 047	2.4 - Supply Chain Management Unit	73 843	(24 335)	49 508
-	(2 847 264)	(2 847 264)	2.5 - ICT	-	(2 753 335)	(2 753 335)
			Vote 3 - Corporate Services			
129 882	(5 424 556)	(5 294 674)	3.1 - Legal & Administration Services	45 542	(5 379 501)	(5 333 959)
696 916	(12 675 660)	(11 978 743)	3.2 - Human Resources Management	78 010	(14 316 874)	(14 238 864)
6 157 841	(7 013 460)	(855 619)	3.3 - Library Services	7 852 714	(7 668 987)	183 728
			Vote 4 - Community Development Services			
1 719 752	(22 717 280)	(20 997 528)	4.1 - Community Services	1 510 789	(36 518 029)	(35 007 240)
288 204	(4 583 775)	(4 295 571)	4.2 - Town Planning & Building Control	244 203	(5 021 818)	(4 777 616)
3 313 305	(7 101 603)	(3 788 298)	4.3 - Economic Development & Tourism	5 341 715	(6 528 656)	(1 186 940)
21 324 803	(25 050 957)	(3 726 154)	4.4 - Protection Services	12 623 822	(26 039 300)	(13 415 477)
			Vote 5 - Infrastructure Services			
705 783	(10 049 035)	(9 343 252)	5.1 - Office of Infrastructure Services	654 256	(8 850 880)	(8 196 624)
20 480 769	(20 879 117)	(398 348)	5.2 - Water- Distribution & Treatment	40 615 639	(29 744 893)	10 870 745
21 864 678	(12 707 836)	9 156 842	5.3 - Sewerage & Wastewater Treatment	16 410 391	(16 461 480)	(51 089)
33 689 904	(23 569 172)	10 120 732	5.4 - Roads & Stormwater	1 613 031	(21 517 306)	(19 904 275)
213 310	(5 876 216)	(5 662 906)	5.5 - Parks, Sportgrounds & Cemeteries (Outside Towns)	137 711	(6 010 722)	(5 873 011)
20 548 834	(17 440 477)	3 108 357	5.6 - Waste Removal & Landfill sites	17 414 521	(17 152 000)	262 521
108 982 227	(104 065 288)	4 916 938	5.7 - Electro-Technical Services	118 273 528	(118 368 878)	(95 350)
398 177 009	(340 777 618)	57 399 391		379 255 098	(391 521 723)	(12 266 625)
-	-	-	Less Inter-Departmental Charges	-	-	-
398 177 009	(340 777 618)	57 399 391	Total	379 255 098	(391 521 723)	(12 266 625)

APPENDIX D
MATZIKAMA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2019	Correction of Error	Restated Balance 30 June 2019	Contributions during the year	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2020	Unspent 30 June 2020 (Creditor)	Unpaid 30 June 2020 (Debtor)
<u>National Government Grants</u>										
Equitable Share	-	-	-	56 540 000	-	(56 540 000)	-	-	-	-
Department of Mineral Resources	-	-	-	5 000 000	-	-	(5 000 000)	-	-	-
Financial Management Grant	-	-	-	1 550 000	-	(1 550 000)	-	-	-	-
Municipal Infrastructure Grant	-	-	-	21 307 000	-	(654 256)	(25 602 532)	(4 949 788)	-	(4 949 788)
Expanded Public Works Programme	-	-	-	1 578 000	-	(1 578 000)	-	-	-	-
Municipal Disaster Relief Grant	-	-	-	477 000	-	(242 353)	-	234 647	234 647	-
Water Services Infrastructure Grant	3 098 705	-	3 098 705	45 000 000	-	-	(20 351 936)	27 746 769	27 746 769	-
Total National Government Grants	3 098 705	-	3 098 705	131 452 000	-	(60 564 609)	(50 954 468)	23 031 628	27 981 416	(4 949 788)
<u>Provincial Government Grants</u>										
Community Development Workers	(30 915)	-	(30 915)	222 000	-	-	-	191 085	191 085	-
Libraries, Archives and Museums	-	-	-	7 888 000	-	(7 810 887)	(77 113)	-	-	-
Western Cape FMSG	-	-	-	330 000	-	(280 000)	-	50 000	50 000	-
Municipal Capacity Building Grant	360 194	-	360 194	380 000	-	(15 000)	-	725 194	725 194	-
Municipal Service Delivery and Capacity Building Grant	-	-	-	200 000	-	-	-	200 000	200 000	-
Municipal Disaster Relief Grant	-	-	-	600 000	-	(600 000)	-	-	-	-
Thusong Services Centres	19 954	-	19 954	120 000	(19 954)	(67 465)	-	52 535	52 535	-
Human Settlements	3 843 517	-	3 843 517	-	-	(429 000)	(794 650)	2 619 867	2 619 867	-
Municipal Drought Relief Grant	9 257 186	-	9 257 186	-	-	-	(9 257 186)	-	-	-
Municipal Disaster Recovery Grant	2 831 447	-	2 831 447	2 800 000	(2 831 447)	-	(2 743 137)	56 863	56 863	-
Transport, Education and Training SETA	-	-	-	78 010	-	(78 010)	-	-	-	-
Total Provincial Government Grants	16 281 383	-	16 281 383	12 618 010	(2 851 401)	(9 280 362)	(12 872 086)	3 895 544	3 895 544	-
<u>District Municipality</u>										
West Coast District Municipality	-	-	-	50 000	-	(7 420)	-	42 580	42 580	-
Total District Municipality Grants	-	-	-	50 000	-	(7 420)	-	42 580	42 580	-
TOTAL GOVERNMENT GRANTS	19 380 088	-	19 380 088	144 120 010	(2 851 401)	(69 852 391)	(63 826 554)	26 969 752	31 919 540	(4 949 788)
<u>Public Contributions</u>										
TRONOX	3 334 719	-	3 334 719	-	-	-	(3 334 719)	-	-	-
MSR	-	-	-	650 000	-	-	(37 585)	612 415	612 415	-
Development Bank Of South Africa	-	-	-	1 267 630	-	(1 267 630)	-	-	-	-
TOTAL PUBLIC CONTRIBUTIONS	3 334 719	-	3 334 719	1 917 630	-	(1 267 630)	(3 372 304)	612 415	612 415	-
TOTAL GRANTS AND CONTRIBUTIONS	22 714 807	-	22 714 807	146 037 640	(2 851 401)	(71 120 021)	(67 198 858)	27 582 167	32 531 955	(4 949 788)

WC011 Matzikama Municipality - Reconciliation of Table A1 Budget Summary

Description	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Financial Performance												
Property rates	52 085	–	52 085	50 221		1 864	96.4%	96.4%				43 225
Service charges	209 565	(7 241)	202 325	171 800		30 525	84.9%	82.0%				158 551
Investment revenue	3 716	(1 706)	2 010	1 370		640	68.2%	36.9%				3 312
Transfers recognised - operational	71 587	3 150	74 737	71 121		3 616	95.2%	99.3%				64 102
Other own revenue	61 565	(6 475)	55 090	25 104		29 985	45.6%	40.8%				54 816
Total Revenue (excluding capital transfers and contributions)	396 517	(12 271)	386 246	319 617		66 630	82.7%	80.2%				324 006
Employee costs	158 446	2 083	160 529	159 121	–	1 408	99.1%	100.4%	–	–	–	138 608
Remuneration of councillors	7 552	(211)	7 341	7 163	–	177	97.6%	94.9%	–	–	–	6 935
Debt impairment	19 726	–	19 726	31 727	–	(12 001)	160.8%	160.8%	–	–	–	20 096
Depreciation & asset impairment	19 079	(1 800)	17 279	20 336	–	(3 057)	117.7%	106.6%	–	–	–	18 606
Finance charges	9 373	(594)	8 779	10 273	–	(1 493)	117.0%	109.6%	–	–	–	9 126
Materials and bulk purchases	126 696	(912)	125 785	117 639	–	8 146	93.5%	92.9%	–	–	–	104 502
Transfers and grants	2 633	(390)	2 243	1 512	–	731	67.4%	57.4%	–	–	–	1 249
Other expenditure	54 960	(934)	53 926	70 932	–	(17 006)	131.5%	129.3%	–	–	–	38 869
Total Expenditure	398 365	(2 758)	395 608	418 703	–	(23 095)	105.8%	105.1%	–	–	–	337 991
Surplus/(Deficit)	152	(9 514)	(9 362)	(99 086)		89 725	105.4%	-65124.2%				(13 985)
Transfers recognised - capital	75 875	35 799	111 674	63 827		47 847	57.2%	84.1%				37 751
Contributions recognised - capital & contributed assets	4 800	(815)	3 985	22 993		(19 008)	577.0%	479.0%				33 633
Surplus/(Deficit) after capital transfers & contributions	80 828	25 470	106 297	(12 267)		118 564	-11.5%	-15.2%				57 399
Share of surplus/ (deficit) of associate	–	–	–	–		–	–	–				–
Surplus/(Deficit) for the year	80 828	25 470	106 297	(12 267)		118 564	-11.5%	-15.2%				57 399
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	80 675	34 983	115 659	–		115 659	0.0%	0.0%				–
Public contributions & donations	–	–	–	–		–	0.0%	0.0%				–
Borrowing	–	–	–	–		–	0.0%	0.0%				–
Internally generated funds	10 930	(5 397)	5 533	–		5 533	0.0%	0.0%				–
Total sources of capital funds	91 605	29 586	121 191	–		121 191	0.0%	0.0%				–
Cash flows												
Net cash from (used) operating	82 486	4 935	87 420	51 723		35 697	59.2%	62.7%				27 314
Net cash from (used) investing	(67 605)	(42 586)	(110 191)	(63 556)		(46 636)	57.7%	94.0%				(48 043)
Net cash from (used) financing	(7 246)	(530)	(7 776)	(5 299)		(2 607)	67.0%	73.1%				5 701
Cash/cash equivalents at the year end	7 633	(38 309)	(30 677)	(17 132)		(13 545)	55.8%	-224.5%				(15 028)

WC011 Matzikama Municipality - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
Governance and administration	224 298	28 108	252 406	156 563		95 843	62.0%	69.8%				170 690
Executive and council	—	—	—	2 738		(2 738)	0.0%	0.0%				27
Finance and administration	224 298	28 108	252 406	153 825		98 581	60.9%	68.6%				170 663
Internal audit	—	—	—	—		—	0.0%	0.0%				—
Community and public safety	28 946	2 894	31 840	19 791		12 049	62.2%	68.4%				30 938
Community and social services	8 671	853	9 524	9 007		517	94.6%	103.9%				6 814
Sport and recreation	2 846	543	3 389	2 085		1 304	61.5%	73.3%				2 272
Public safety	16 572	—	16 572	8 283		8 290	50.0%	50.0%				21 325
Housing	857	1 499	2 355	416		1 940	17.7%	48.5%				527
Health	—	—	—	—		—	0.0%	0.0%				—
Economic and environmental services	13 339	(1 348)	11 991	10 187		1 804	85.0%	76.4%				36 475
Planning and development	5 320	(1 465)	3 854	3 579		275	92.9%	67.3%				2 080
Road transport	8 019	118	8 137	6 608		1 529	81.2%	82.4%				34 396
Environmental protection	—	—	—	—		—	0.0%	0.0%				—
Trading services	212 609	(6 942)	205 667	192 714		12 953	93.7%	90.6%				160 074
Electricity	152 259	(5 814)	146 445	118 274		28 172	80.8%	77.7%				108 982
Water	25 182	(1 600)	23 582	40 616		(17 034)	172.2%	161.3%				19 487
Waste water management	18 009	—	18 009	16 410		1 599	91.1%	91.1%				16 236
Waste management	17 159	472	17 631	17 415		216	98.8%	101.5%				15 369
Other	—	—	—	—		—	0.0%	0.0%				—
Total Revenue - Standard	479 193	22 712	501 905	379 255		122 650	75.6%	79.1%				398 177
Expenditure - Standard												
Governance and administration	88 142	6 914	95 056	92 346	—	2 710	97.1%	104.8%	—	—	—	80 914
Executive and council	21 196	2 740	23 935	22 077	—	1 859	92.2%	104.2%	—	—	—	15 864
Finance and administration	66 946	4 174	71 120	70 269	—	851	98.8%	105.0%	—	—	—	65 050
Internal audit	—	—	—	—	—	—	0.0%	0.0%	—	—	—	—
Community and public safety	61 403	5 887	67 290	68 485	—	(1 195)	101.8%	111.5%	—	—	—	52 535
Community and social services	24 342	1 666	26 009	24 910	—	1 098	95.8%	102.3%	—	—	—	18 256
Sport and recreation	8 449	348	8 797	9 908	—	(1 111)	112.6%	117.3%	—	—	—	7 058
Public safety	25 839	2 259	28 098	26 271	—	1 827	93.5%	101.7%	—	—	—	25 514
Housing	2 774	1 613	4 387	7 396	—	(3 009)	168.6%	266.6%	—	—	—	1 707
Health	—	—	—	—	—	—	0.0%	0.0%	—	—	—	—
Economic and environmental services	46 152	(1 110)	45 042	33 314	—	11 729	74.0%	72.2%	—	—	—	36 867
Planning and development	12 687	(1 581)	11 106	8 319	—	2 787	74.9%	65.6%	—	—	—	9 274
Road transport	33 466	471	33 936	24 995	—	8 942	73.7%	74.7%	—	—	—	27 593
Environmental protection	—	—	—	—	—	—	0.0%	0.0%	—	—	—	—
Trading services	202 667	(14 448)	188 219	197 377	—	(9 158)	104.9%	97.4%	—	—	—	170 462
Electricity	132 779	(14 005)	118 774	119 313	—	(540)	100.5%	89.9%	—	—	—	105 103
Water	29 564	1 666	31 230	30 304	—	926	97.0%	102.5%	—	—	—	21 585
Waste water management	14 871	(1 263)	13 608	17 293	—	(3 685)	127.1%	116.3%	—	—	—	13 417
Waste management	22 840	(281)	22 559	28 431	—	(5 872)	126.0%	124.5%	—	—	—	28 697
Other	2 614	(565)	2 048	2 035	—	13	99.4%	77.9%	—	—	—	1 660
Total Expenditure - Standard	398 365	(2 758)	395 608	391 522	—	4 086	99.0%	98.3%	—	—	—	340 778
Surplus/(Deficit) for the year	80 828	25 470	106 297	(12 267)	—	118 564	0.0%	0.0%	—	—	—	57 399

WC011 Matzikama Municipality - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - Council & Executive	–	–	–	2 738		(2 738)	#DIV/0!	#DIV/0!				27
Vote 2 - Financial Services	223 701	27 748	251 449	153 701		97 748	61.1%	68.7%				158 034
Vote 3 - Corporate Services	8 449	336	8 785	7 976		809	90.8%	94.4%				6 985
Vote 4 - Community Development Services	32 022	1 568	33 590	19 721		13 869	58.7%	61.6%				26 646
Vote 5 - Infrastructure Services	215 020	(6 939)	208 081	195 119		12 962	93.8%	90.7%				206 486
Total Revenue by Vote	479 193	22 712	501 905	379 255		122 650	75.6%	79.1%				398 177
Expenditure by Vote to be appropriated												
Vote 1 - Council & Executive	21 196	2 740	23 935	22 077	–	1 859	92.2%	104.2%	–	–	–	15 864
Vote 2 - Financial Services	45 778	4 239	50 017	49 866	–	151	99.7%	108.9%	–	–	–	45 759
Vote 3 - Corporate Services	27 357	272	27 629	27 365	–	263	99.0%	100.0%	–	–	–	25 114
Vote 4 - Community Development Services	71 269	3 935	75 204	74 108	–	1 096	98.5%	104.0%	–	–	–	59 454
Vote 5 - Infrastructure Services	232 766	(13 943)	218 823	218 106	–	717	99.7%	93.7%	–	–	–	194 587
Total Expenditure by Vote	398 365	(2 758)	395 608	391 522	–	4 086	99.0%	98.3%	–	–	–	340 778
Surplus/(Deficit) for the year	80 828	25 470	106 297	(12 267)		118 564	-11.5%	-15.2%				57 399

WC011 Matzikama Municipality - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	52 085	–	52 085	50 221		1 864	96.4%	96.4%				43 225
Service charges - electricity revenue	152 259	(6 113)	146 146	118 274		27 873	80.9%	77.7%				108 443
Service charges - water revenue	23 456	(1 600)	21 856	19 727		2 129	90.3%	84.1%				19 487
Service charges - sanitation revenue	16 747	–	16 747	16 410		337	98.0%	98.0%				15 268
Service charges - refuse revenue	17 103	472	17 575	17 389		187	98.9%	101.7%				15 353
Service charges - other	–	–	–	–		–	0.0%	0.0%				–
Rental of facilities and equipment	2 249	(145)	2 104	1 598		506	75.9%	71.1%				2 290
Interest earned - external investments	3 716	(1 706)	2 010	1 370		640	68.2%	36.9%				3 312
Interest earned - outstanding debtors	4 644	350	4 994	3 875		1 118	77.6%	83.5%				4 900
Dividends received	–	–	–	–		–	0.0%	0.0%				–
Fines	16 616	–	16 616	8 303		8 313	50.0%	50.0%				16 447
Licences and permits	1 185	(185)	1 000	926		74	92.6%	78.1%				1 010
Agency services	3 718	300	4 018	2 985		1 033	74.3%	80.3%				3 369
Transfers recognised - operational	71 587	3 150	74 737	71 121		3 616	95.2%	99.3%				64 102
Other revenue	12 154	3 618	15 772	7 418		8 354	47.0%	61.0%				26 800
Gains on disposal of PPE	21 000	(10 413)	10 587	–		10 587	0.0%	0.0%				–
Total Revenue (excluding capital transfers and contributions)	398 517	(12 271)	386 246	319 617		66 630	82.7%	80.2%				324 006
Expenditure By Type												
Employee related costs	158 446	2 083	160 529	159 121	–	1 408	99.1%	100.4%	–	–	–	138 608
Remuneration of councillors	7 552	(211)	7 341	7 163	–	177	97.6%	94.9%	–	–	–	6 935
Debt impairment	19 726	–	19 726	31 727	–	(12 001)	160.8%	160.8%	–	–	–	20 096
Depreciation & asset impairment	19 079	(1 800)	17 279	20 336	–	(3 057)	117.7%	106.6%	–	–	–	18 606
Finance charges	9 373	(594)	8 779	10 273	–	(1 493)	117.0%	109.6%	–	–	–	9 126
Bulk purchases	109 049	(1 000)	108 049	109 500	–	(1 451)	101.3%	100.4%	–	–	–	94 145
Other materials	17 648	88	17 736	8 138	–	9 598	45.9%	46.1%	–	–	–	10 357
Contracted services	17 695	3 693	21 388	13 950	–	7 438	65.2%	78.8%	–	–	–	9 643
Transfers and grants	2 633	(390)	2 243	1 512	–	731	67.4%	57.4%	–	–	–	1 249
Other expenditure	37 165	(4 627)	32 538	56 704	–	(24 166)	174.3%	152.6%	–	–	–	27 306
Loss on disposal of PPE	–	–	–	279	–	(279)	0.0%	0.0%	–	–	–	1 921
Total Expenditure	398 365	(2 758)	395 608	418 703	–	(23 095)	105.8%	105.1%	–	–	–	337 991
Surplus/(Deficit)	152	(9 514)	(9 362)	(99 086)		89 725	1058.4%	-65124.2%				(13 985)
Transfers recognised - capital	75 875	35 799	111 674	63 827		47 847	57.2%	84.1%				37 751
Contributions recognised - capital	4 800	(815)	3 985	3 372		612	84.6%	70.3%				1 665
Contributed assets	–	–	–	19 621		(19 621)	0.0%	0.0%				31 968
Surplus/(Deficit) after capital transfers & contributions	80 828	25 470	106 297	(12 267)		118 564	-11.5%	-15.2%				57 399
Taxation	–	–	–	–		–	0.0%	0.0%				–
Surplus/(Deficit) after taxation	80 828	25 470	106 297	(12 267)		118 564	-11.5%	-15.2%				57 399
Attributable to minorities	–	–	–	–		–	0.0%	0.0%				–
Surplus/(Deficit) attributable to municipality	80 828	25 470	106 297	(12 267)		118 564	-11.5%	-15.2%				57 399
Share of surplus/ (deficit) of associate	–	–	–	–		–	0.0%	0.0%				–
Surplus/(Deficit) for the year	80 828	25 470	106 297	(12 267)		118 564	-11.5%	-15.2%				57 399

WC011 Matzikama Municipality - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2019/20								2018/19			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Council & Executive	400	(216)	184	–	–	184	0%	0%	–	–	–	–
Vote 2 - Financial Services	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 3 - Corporate Services	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 4 - Community Development Services	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 5 - Infrastructure Services	–	–	–	–	–	–	0%	0%	–	–	–	–
Capital multi-year expenditure	400	(216)	184	–	–	184	0%	0%	–	–	–	–
Single-year expenditure												
Vote 1 - Council & Executive	350	(317)	33	–	–	33	0%	0%	–	–	–	–
Vote 2 - Financial Services	1 240	(655)	585	–	–	585	0%	0%	–	–	–	–
Vote 3 - Corporate Services	210	(51)	159	–	–	159	0%	0%	–	–	–	–
Vote 4 - Community Development Services	22 900	(2 753)	20 147	–	–	20 147	0%	0%	–	–	–	–
Vote 5 - Infrastructure Services	66 505	33 577	100 082	–	–	100 082	0%	0%	–	–	–	–
Capital single-year expenditure	91 205	29 802	121 007	–	–	121 007	0%	0%	–	–	–	–
Total Capital Expenditure - Vote	91 605	29 586	121 191	–	–	121 191	0%	0%	–	–	–	–
Capital Expenditure - Standard												
Governance and administration	2 900	(1 827)	1 073	–	–	1 073	0%	0%	–	–	–	–
Executive and council	750	(533)	217	–	–	217	0%	0%	–	–	–	–
Finance and administration	2 150	(1 294)	856	–	–	856	0%	0%	–	–	–	–
Internal audit	–	–	–	–	–	–	0%	0%	–	–	–	–
Community and public safety	27 653	(6 894)	20 759	–	–	20 759	0%	0%	–	–	–	–
Community and social services	1 701	(549)	1 152	–	–	1 152	0%	0%	–	–	–	–
Sport and recreation	6 372	(5 413)	959	–	–	959	0%	0%	–	–	–	–
Public safety	1 660	(932)	728	–	–	728	0%	0%	–	–	–	–
Housing	17 920	–	17 920	–	–	17 920	0%	0%	–	–	–	–
Health	–	–	–	–	–	–	0%	0%	–	–	–	–
Economic and environmental services	13 822	3 439	17 261	–	–	17 261	0%	0%	–	–	–	–
Planning and development	389	(330)	59	–	–	59	0%	0%	–	–	–	–
Road transport	13 433	3 769	17 202	–	–	17 202	0%	0%	–	–	–	–
Environmental protection	–	–	–	–	–	–	0%	0%	–	–	–	–
Trading services	47 200	34 892	82 092	–	–	82 092	0%	0%	–	–	–	–
Electricity	7 810	(75)	7 735	–	–	7 735	0%	0%	–	–	–	–
Water	18 915	22 896	41 811	–	–	41 811	0%	0%	–	–	–	–
Waste water management	20 375	12 172	32 547	–	–	32 547	0%	0%	–	–	–	–
Waste management	100	(100)	–	–	–	–	0%	0%	–	–	–	–
Other	30	(24)	6	–	–	6	0%	0%	–	–	–	–
Total Capital Expenditure - Standard	91 605	29 586	121 191	–	–	121 191	0%	0%	–	–	–	–
Funded by:												
National Government	57 855	23 567	81 423	–	–	81 423	0%	0%	–	–	–	–
Provincial Government	18 020	12 231	30 251	–	–	30 251	0%	0%	–	–	–	–
District Municipality	–	–	–	–	–	–	0%	0%	–	–	–	–
Other transfers and grants	4 800	(815)	3 985	–	–	3 985	0%	0%	–	–	–	–
Transfers recognised - capital	80 675	34 983	115 659	–	–	115 659	0%	0%	–	–	–	–
Public contributions & donations	–	–	–	–	–	–	0%	0%	–	–	–	–
Borrowing	–	–	–	–	–	–	0%	0%	–	–	–	–
Internally generated funds	10 930	(5 397)	5 533	–	–	5 533	0%	0%	–	–	–	–
Total Capital Funding	91 605	29 586	121 191	–	–	121 191	0%	0%	–	–	–	–

WC011 Matzikama Municipality - Reconciliation of Table A7 Budgeted Cash Flows

Description	2019/20							2018/19
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties and collection charges	48 100	3 099	51 199	45 321	5 878	88.5%	94.2%	43 452
Service charges	193 533	5 352	198 885	157 178	41 707	79.0%	81.2%	147 689
Other revenue	18 392	(1 028)	17 364	14 683	2 680	84.6%	79.8%	19 744
Government - operating	71 587	1 197	72 784	69 993	2 790	96.2%	97.8%	63 752
Government - capital	80 675	12 051	92 727	71 276	21 451	76.9%	88.3%	34 781
Interest	8 004	(1 086)	6 919	1 370	5 549	19.8%	17.1%	3 312
Dividends	–	–	–	–	–	0.0%	0.0%	–
Payments								
Suppliers and employees	(331 875)	(15 706)	(347 581)	(303 250)	(44 331)	87.2%	91.4%	(281 626)
Finance charges	(3 299)	666	(2 633)	(3 337)	704	126.7%	101.2%	(2 540)
Transfers and Grants	(2 633)	390	(2 243)	(1 512)	(731)	67.4%	57.4%	(1 249)
NET CASH FROM/(USED) OPERATING ACTIVITIES	82 486	4 935	87 420	51 723	35 697	59.2%	62.7%	27 314
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	24 000	(13 000)	11 000	–	11 000	0.0%	0.0%	–
Decrease (Increase) in non-current debtors	–	–	–	–	–	0.0%	0.0%	–
Decrease (increase) other non-current receivables	–	–	–	–	–	0.0%	0.0%	–
Decrease (increase) in non-current investments	–	–	–	–	–	0.0%	0.0%	–
Payments								
Capital assets	(91 605)	(29 586)	(121 191)	(63 556)	(57 636)	52.4%	69.4%	(48 043)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(67 605)	(42 586)	(110 191)	(63 556)	(46 636)	57.7%	94.0%	(48 043)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	–	–	–	–	–	0.0%	0.0%	–
Borrowing long term/refinancing	–	–	–	–	–	0.0%	0.0%	10 701
Increase (decrease) in consumer deposits	46	–	46	–	46	0.0%	0.0%	–
Payments								
Repayment of borrowing	(7 293)	(658)	(7 952)	(5 299)	(2 652)	66.6%	72.7%	(5 000)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(7 248)	(658)	(7 906)	(5 299)	(2 607)	67.0%	73.1%	5 701
NET INCREASE/(DECREASE) IN CASH HELD	7 633	(38 309)	(30 677)	(17 132)				(15 028)
Cash/cash equivalents at the year begin:	24 593	6 889	31 483	31 425				46 453
Cash/cash equivalents at the year end:	32 226	(31 420)	806	14 292	–	1773.6%	44.4%	31 425